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IN THIS ISSUE

The Institute brings out the Quarterly Journal, *FOCUS WTO* exclusively dealing with WTO and WTO-related issues. Each issue is dedicated to a particular theme. A distinct feature of the Journal is its section, "Lead Articles" focusing on the theme. As the next issue is devoted to the theme "Trade and Economic Partnerships", we at *FOCUS WTO* invite highly analytical articles focusing on the theme for publication in the Journal with a word limit between 3000 and 3500.

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From the Director's Desk

India recently submitted a draft legal text for negotiating the Trade Facilitation Agreement for Services (TFS). India wants significant improvements in relevant aspects of General Agreement on Trade in Services (GATS) with respect to transparency, increasing the participation of developing countries, domestic regulation, negotiations on specific commitments and the Annex on Movement of Natural Persons supplying services under the agreement (Mode 4), with a view to addressing issues relevant for facilitating trade in services.

Negotiations for the trade facilitation agreement in goods which came into force on 22 February 2017 started in 1996 at the WTO's first ministerial meeting in Singapore. The TFA for goods is driven by the industrialized countries led by the US and the EU which led the Colarado group that forced the agreement at the WTO's ninth ministerial meeting in Bali, Indonesia.

In sharp contrast, the proposed TFS by India is primarily a developing country problem since the developing countries provide skilled personnel from construction to advanced IT services in hundreds of millions. India's proposal includes cross border insurance coverage and expedited processing of immigration formalities in respect of health related services or similar such urgent services availed in another member. India also wants that where social security contributions are not exempted, then the member which has collected contribution "shall refund such contribution, or the unused portion thereof, to the short-term services provider at the time such short-term provider returns to his/her home country".

US, in the meanwhile has declared to opt for bilateral free trade agreements instead of multilateral deals. In short, India could face opposition from the US, the European Union, and other major industrialized countries which had consistently opposed significant changes in the domestic regulation provisions concerning services. India can claim a public relations victory for tabling its proposal on TFS, but there will be tough times ahead *vis-a-vis* developed countries for negotiating any improvements in their domestic regulation.

(AJAY KUMAR BHALLA)

WTO: Emerging Issues for Concern

Badar Alam Iqbal*

Since the transformation of GATT into WTO on 1 January, 1995, the role of WTO has emerged as most critical and constructive in the promotion of world trade. Minimisation of protectionism and regionalism are the top priorities of the WTO. But in reality, the degree of protectionism as well as concept of New Regionalism are on the rise hence, the very purpose of establishing WTO is being defeated. Today, WTO has been facing many challenges. The present paper is an attempt to highlight the role and challenges of WTO in the present scanerio.

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Introduction

It is an undisputed fact that developed nations must realise that the global trade issues could not be solved without taking into confidence the emerging economies in general and China and India in particular. The situation has been changed considerably in case of China and India since the declaration of Doha negotiations as back 2001. The developed nations and developing nations must adopt the balanced policy of give and take.

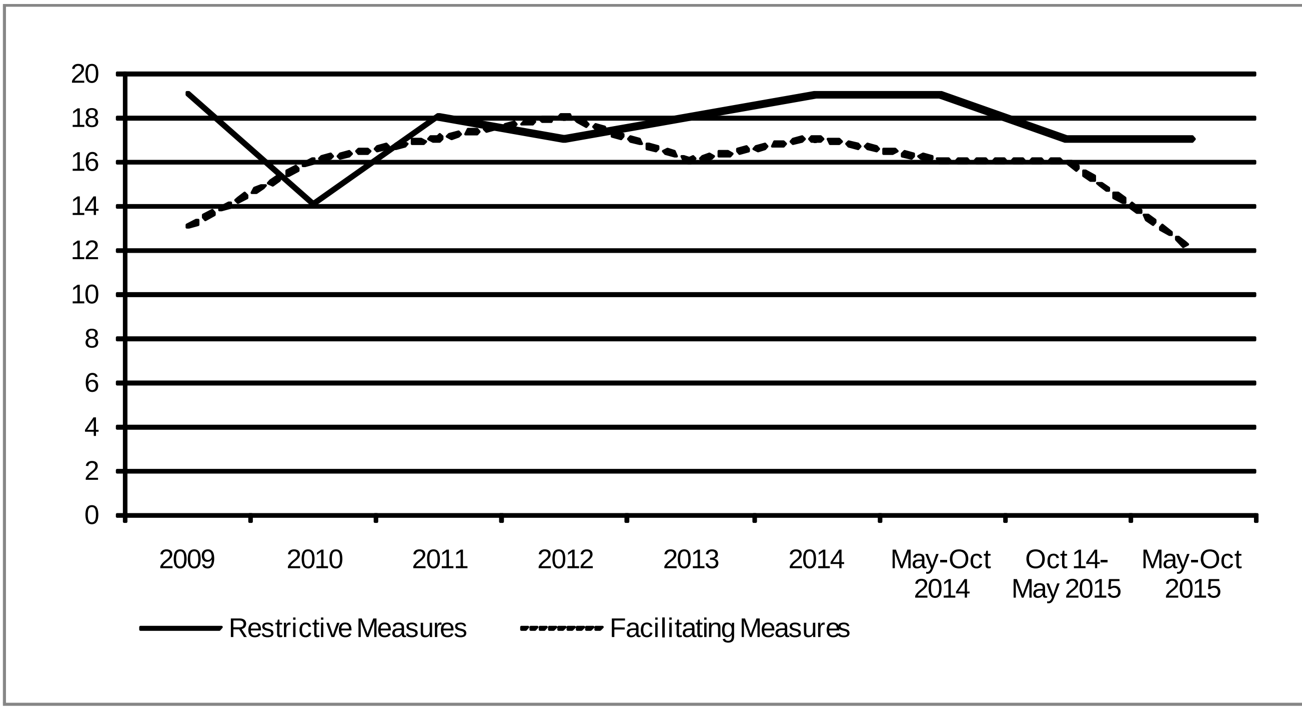
The transformation of General Agreement on Tariffs and Trade (GATT) of 1947 into World Trade Organization (WTO) on January 1, 1995 was considered a milestone in the history of world trade. The very purpose of creating WTO was to promote and stimulate multilateral trading system and minimization of regionalism. After the deadlock at Doha Development Round in 2001, there has been enormous increase in Free Trade Agreements (FTAs) which means we are going back to the concept of regionalism which is against the philosophy of multilateral trading system in general and the existence of WTO in particular.

World trade continues its slow recovery but with economic growth still fragile and continued geopolitical tensions, mainly because of the sluggish economic growth. The WTO data is based on economic growth estimates from organization including the IMF. The new IMF figures and these would be 'in the same ballpark' and not affect WTO's projection. Although the projections do opined some modest growth in the global goods, they follow repeated downward revisions of trade estimates as the economic outlook worsened.

Global trade registered a rise of 2.4 per cent in 2014, much less than an original projection of 4.7 per cent and also below the revised projection of 3.1 per cent. The new projection of 3.3 per cent growth in 2015; already revised down twice, from 5.3 per cent and then 4 per cent, is meagre increase but much less than the long-term trend. World trade growth averaged 2.4 per cent over each of the last three years, compared with an annual average of 6 per cent during 1990 and 2008 when global financial crisis was occurred. There

CHART 1

G-20 TRADE MEASURES AVERAGE PER MONTH

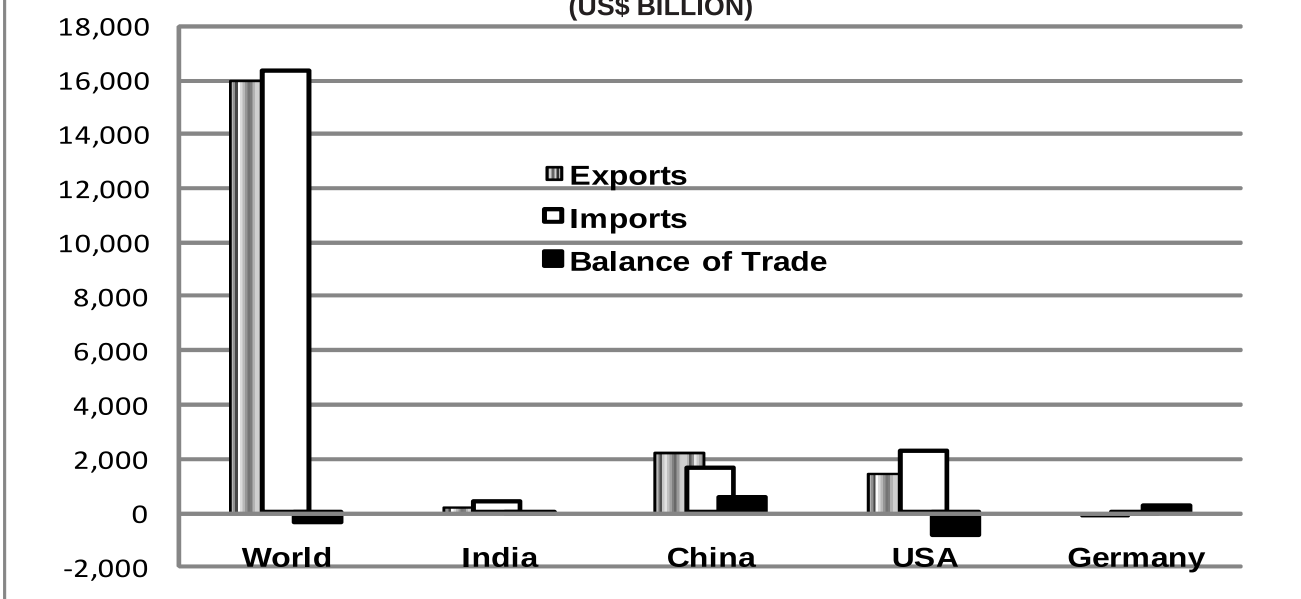


Source: Prepared by the author from Table 1.

CHART 2

EMERGING TRENDS IN GLOBAL EXPORTS, IMPORTS AND TRADE BALANCE I 2015

(US$ BILLION)



Source: Prepared by the author from Tables 2 and 3.

has been only other period since the Second World War wherein world trade growth had been so weak and that was from 1980 to 1984. However, that period included two most strategic contractions in global trade because of the oil shock and the world recession witnessed during 1980-81.

Trade Blocs

Although G-20 countries are eliminating some of their respective trade-restrictive measures, the pace at which this is being done remains slow. Hence, the overall stockpile up of measures continues to grow. Of the total 1,441 trade restrictive measures, including trade remedies, introduced since 2008, only 354 had been removed (Table 1). In the year 2010, out of 381 effectively eliminated measures, only 57 or 15 per cent were possible and 324 measures remained uneliminated. In 2015, 354 or 24.6 per cent were stockpile up restrictive measures out of 1,441 stockpiles up restrictive measures. Hence, this is one of the issues of great concern for WTO member countries (Chart 1).

Emerging Trends in Global Exports, Imports and Balance of Trade

Recently, the WTO has revised its 2016 world trade projections with a margin of one percentage point. In last September, the WTO had forecasted that world trade would witness grow by 3.9 per cent. But unfortunately, the figure was revised to 2.8 per cent. This is because of the slowdown in Chinese economy along with the broad market volatility in the global economy. In the words of the Director General of WTO, “trade is still registering positive growth, albeit at a disappointing rate”.

Global merchandise trade volume is estimated to increase by 2016, unchanged from 2.8 per cent in the year 2015, as Gross Domestic Product (GDP) eases out in developed countries and also picks up in developing economies. Global trade should increase by a margin of 3.6 per cent in coming year 2017, still lesser the average of 5 per cent recorded since 1990. These trends are attributed to downside, including slowing trends in emerging economies and their respective financial volatility especially in China and India.

Exports of developed countries lagged behind developing economies in 2015, with a figure of 2.6 per cent volume growth in regard to developed nations and 3.3 per cent in case of developing economies (Table 2).

Table 2 gives some very interesting trends and situation. *First*, the global exports increased marginally and witnessed the lowest growth rate. *Secondly*, China has registered the highest increase in its exports at a figure of 6 per cent many times

TABLE 1

G-20 TRADE MEASURES AVERAGE PER MONTH

Year	Restrictive Measures	Facilitating Measures
2009	19	13
2010	14	16
2011	18	17
2012	17	18
2013	18	16
2014	19	17
May-October 2014	19	16
October 14-May 2015	17	16
May-October 2015	17	12

Source: WTO, Geneva, 2015.

TABLE 2

EMERGING TRENDS IN GLOBAL EXPORTS IN 2015

Country/ World	Value (US$ bn)	Annual % Change 2014	Annual % Change 2015
World	15,985	0.3	-13.5
India	267	2.5	17.2
China	2,275	6.0	-2.9
USA	1,505	2.6	-7.1
Germany	1,329	3.4	-11.0

Source: WTO; Geneva, 2015.

higher than the global growth in exports. *Thirdly*, Germany witnessed a positive change of 3.4 per cent much higher than change in the exports of USA and India. This all indicates that China was the best performer followed by Germany, USA and India in terms of annual positive change in their respective exports.

Developed countries imports registered increase last year whereas developing economies remained stagnant, with growth rate of 4.5 per cent in case of developed nations and marginally 0.2 per cent in case of developing countries. An appreciable trade slowdown affected all countries and regions in Quarter 2 of 2015.

Table 3 reveals that except India, other economies, had witnessed a rise in the imports and the increase was highest in case of USA followed by Germany and China in the year 2014. But in 2015, the annual change in the world imports was negative and the largest annual change was recorded in case of India followed by China, Germany and world. The lowest negative growth was recorded in case of USA. South America witnessed the weakest import growth in 2015 as a severe recession in Brazil depressed demand (Chart 3).

If we compare the data of Table 2 and Table 3 namely, global exports and imports, and exports and imports of selected major economies of the world, it is clear that global trade has negative balance of trade along with India and the USA (Chart 2). On the other hand, balance of trade is positive in case of China and Germany. The highest balance of trade is in regard to China and the

TABLE 3

EMERGING TRENDS IN GLOBAL IMPORTS IN 2015

(Value : US$ billion)

Country/ World	Value	Annual % Change 2014	Annual % Change 2015
World	16,340	0.7	-12.4
India	392	-0.5	-15.3
China	1,682	0.5	-14.2
USA	2,308	3.6	-4.3
Germany	1,050	2.2	-13.0

Source: WTO; Geneva, 2015.

TABLE 4

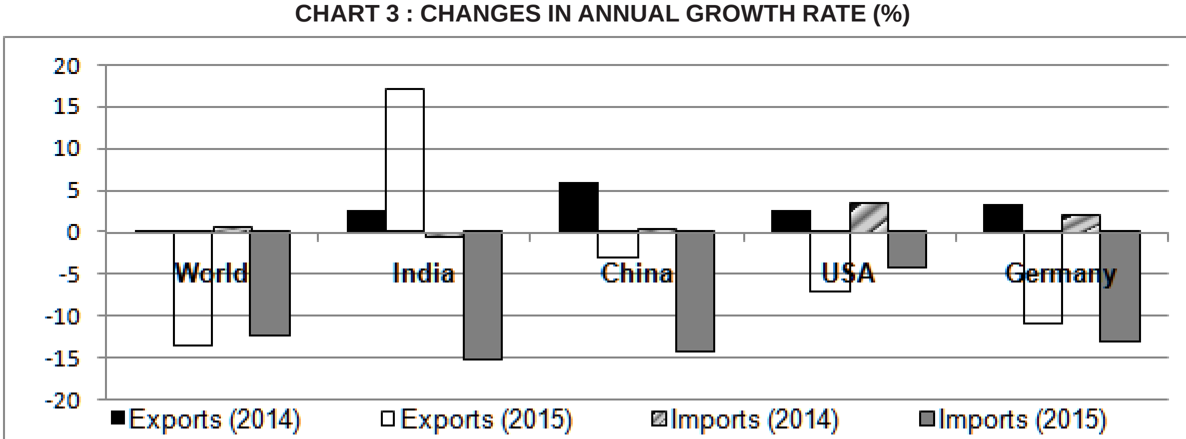
EMERGING TRENDS IN GLOBAL BALANCE OF TRADE IN 2015

(Value : US$ billion)

Country/ World	Exports	Imports	Balance of Trade
World	15,985	16,340	-355
India	267	392	-25
China	2,275	1,682	+593
USA	1,505	2,308	-807
Germany	1,329	1,050	+279

Source: Compiled by author from Tables 2 and 3.

CHART 3 : CHANGES IN ANNUAL GROWTH RATE (%)



Source: Prepared by the author from Tables 2, 3 and 4.

largest trade deficit is in case of USA during the year 2015 (Table 4).

Persisting Failures

It is a well known fact that the developed countries had already expressed their desire to close down the excruciating and inconclusive 14-year old Doha Development Round (DDR). The Cancun ministerial collapsed when the African group walked out of the green room on Singapore issues namely, investment, competition, transparency in government procurement and trade facilitation. Out of the four Singapore issues, trade facilitation was retained and wrapped up for the Bali Ministerial conference in 2013. With the Nairobi Declaration explicitly indicating that there is no consensus on continuation of Doha Development Agenda (DDA/DDR), the stage is set for the introduction of new issues which means new battle fronts for developing and least developing economies.

10th Summit at Nairobi

At the time of 10th Ministerial Conference/ Summit at Nairobi convened by the World Trade Organization (WTO), the most strategic issue which has far reaching impact, consequences and implications on the very future of the WTO. World trade community was of the view that the role and contribution of WTO is in doldrums. 160 member nations are facing a serious existential crisis. This is because since the inception of WTO on January 1, 1995, the WTO has failed to fulfil its objectives and functions for which it was established. WTO has only one silver lining, i.e. Trade Facilitation Agreement (FTA) of 2013.

The persisting existential crisis with which the WTO is confronting has become more delicate because of the rapid rise in the FTAs especially the latest one – Trans Pacific Trade Agreement which is against the philosophy of WTO whose very basic principle is Most Favoured Nation (MFN). The Nairobi summit concluded with disappointment as the United States has opposed the revival of Doha Development Round (DDR). The developing countries in one voice attempted to hold on strongly to their ground by refusing to allow a pact that does not fall in line with the DDR. The developing economies stayed away from a deal on ‘export competition’ for removing export subsidies and farm subsidies.

The United States of America is adamant and did not wanted reaffirmation of DDR in Nairobi (Kenya) declaration, the developing economies in general and India and China in particular were trying hard to argue that non-revival of DDR would be a breach of faith and confidence in regard to developing economies in general and least developing countries in particular who have been waiting for developed nations to deliver the commitment of market access and preferences that were promised when DDR was initiated, i.e. as back 2001.

The continuation of DDR is *sine-quo-non* for developing countries in general and least developing nations in particular as it contains the most essential provision of “less than full reciprocity”. This clause keeps much onus on developed economies especially the USA and European Union to provide deeper market access and other vital trade concessions to developing economies and least developing economies as against to what they get in return.

Nairobi and thereafter, the negotiations on a number of areas comprising market access to industrial goods and agricultural products and reduction in farm subsidies which are based on the less than full reciprocity rue that make least developing economies net gainers. On the other side of it, the USA is trying hard to introduce new issues, namely, investment, competition policy and government procurement once it achieves the official declaration of burying DDR.

The most conspicuous segment in Nairobi Declaration is the implicit recognition of the fact that many countries have started to show less interest in the DDR/DDA of 2001 work programme. The usual and strong affirmation of commitment to the work programme, shown even as late as 2013 at Bali conference; is muted in the Nairobi ministerial declaration. It is pertinent to point out here that in paragraph 30 of Nairobi declaration it is opined that many member countries reaffirm the DDA while others have not as the countries are of the view that new approaches have become essential to attain purposeful and meaningful outcomes. It is further opined in paragraph 34 that "while we concur that officials should prioritise work wherein results have not yet been attained, some wish to identify and discuss other issues for negotiations; others do not". This is true that introduction of initiation of other issues will be subject to the agreement of all members.

It is certain and appeared that the negotiations after the completion of 10th Summit at Nairobi would not be confined to the broad framework of the Doha work programme as it has evolved over the last decade and a half. Newly emerging issues will be put on the negotiation table and issues which have been discussed and removed or modified during negotiations after DDR may reappear on the table. The long drawn out DDA/ DDR negotiations, yet to see significant result in key strategic areas, and the proliferation of bilateral and regional trading arrangements have led to decline interest in the WTO work.

Major Outcome of Summit

(a) Failed to deliver anything concrete in the areas of food security and farmers' protection;

(b) Doing away with all export subsidies in the coming eight years;

(c) No definite agreement reached in case of Special Safeguards Mechanism (SSM) for giving protection to famers in developing countries and least developing nations; and

(d) The SSM negotiations will take place in the older format (Hong Kong Summit).

As many as 53 WTO member nations have agreed in Nairobi to a "Seven-Year" timeframe to remove all tariffs on 201 IT goods that constitute annual trade amounted to US$1.3 trillion. India did oppose such an agreement on the grounds that the deal would be beneficial to the USA, China, Japan and Korea who have a robust manufacturing base in the above-mentioned goods.

Role of China and India

The two emerging and fastest growing economies of the world would continue to fight for the revival of DDR/DDA. On public stock-holding where emerging economies looking for a permanent solution for the treatment of subsidies regime so that these could not attract penalties. China and India have come out together with the intention that these emerging economies jointly pursue the issue with greater vigour in Geneva so that an effective work programme could be given at the earliest and should be based on the special sessions of the Committee on Agriculture, held.

Rethinking on WTO

It is an undisputed fact that WTO is the only multilateral forum wherein smaller and developing countries always made out the concerted efforts in respect to the integration of trade with development. The multilateral agency (WTO) permits the developing and least developing economies to deliberate and negotiate global trade issues in blocs and together withstand the relentless demand of the developed world to open the markets for them without the reciprocity so that every nation could reap out the benefits of trade.

Prolong deadlock in regard to Doha Development Round (DDR) of 2001, there is a major rethink of the WTO's tariff reducing regime which is in place. This may be called tariff liberalization approach. Accordingly, trade economists are preparing the agenda and negotiating priorities in place of actual trade policy negotiations.

In the absence of global cooperation, governments of the member countries are imposing import tariffs which mean imposing economic costs on trading partners. The tariff takes down the price that the trading partners' exporters get for selling out their products in the global markets. The cost arise due to the fact that importer has possessed market power.

The biggest disappointment is that the Nairobi ministerial declaration virtually brings to an end the so-called consensus on the DDR/DDA. This is not a loss to any country but for all developing and least developing economies. As a matter of fact, DDR/DDA was very first and most critical and strategic round of trade negotiations launched by the WTO. If that round cannot be completed as originally intended, the loss is that of the WTO as a whole.

Trade Facilitation Agreement (FTA)

Trade Facilitation Agreement (TFA) has come for easing out the customs procedures to enhance commerce among the member countries in particular and other non-member countries in general. The main constraints standing in the way of its implementation is that 107 member countries or 2/3rd of the total members have to approve it.

The very purpose of FTA was to expedite the movement, i.e. release and clearance of goods including products that are in transit for the promotion of global trade. The other objective of FTA was to lay down measures required for effective and efficient cooperation among customs and other concerned officials for trade facilitation on the one hand and on the other, dealing with customs compliance issues.

In the words of WTO, full implementation of FTA may enhance the world exports to the extent of US$1 trillion annually which will be an enormous rise. Accordingly, the global exports may rise by a margin of 2.7 per cent per annum. Trade facilitation does require the harmonization in the existing relationship among essential departments, namely custom, shipping and ports, road transport and highways along with other institutional authorities of the concerned country.

Developing economies exports projected to rise by a margin of between US$170 billion and US$730 billion in a year. Fuller and faster implementation of the FTAs could enhance the likelihood of impacts reaching the larger ends of these ranges. According to the Dynamic Computable General Equilibrium Model, the increases of world exports are estimated at a figure range of US$1.8 trillion and US$3.6 trillion.

Economically, FTAs are acting upon as creating blocs for multilateral trading regime, and if they liberalise for substantially all trade among the constituents and may not impose a higher burden on non-constituent members that what existed earlier in the formation of the free trade zone. These provisions are given in Article XXIV of the GATT which is an integral part of the WTO and constitute an exception to the MFN rule. Hence, all FTAs that WTO member nations sign have to satisfy these legal requirements. Therefore, the only way to keep WTO relevant is by making concerted efforts for strengthening its existing mechanisms that exercise supervisory control over FTAs.

WTO and India

In the present scenario of multilateral, plurilateral as well as bilateral world, trade deliberations and negotiations always insist upon the principle of some give and take, and are not based on winning or losing. Hence, trade deliberations and negotiations have become more delicate in nature and contents.

India must come out with a balanced approach in negotiating the trade issues. India should strongly take up the most burning issues, namely food security and farmers' protection. India has refused to be a party to the WTO's trade facilitation agreement last year with a logical rider that till a permanent solution for its food security issue is found. India has come out with a new approach that fall in line with its efforts to play a greater role in the global trade affairs.

It is very true that India did not get everything that the country wanted in upcoming trade negotiations. Trade experts are of the view that India should adopt a policy and carry out it in such a way that India is seen as neither blocking a pact nor diluting its stand.

According to trade experts, as the Ministerial negotiations were held in African continent for the first time in the WTO history, Kenya was under pressure to make the negotiations successful. Hence, it was considered most important for India which is seen as Africa's natural partner to push the food security issue *sine-quo-non* for developing countries in general and African economies in particular.

India and Africa also wanted that the DDR/ DDA must be revived keeping in mind the threat arising out from the mega trade agreement, namely Trans-Pacific Partnership (TPP) which has taken place among 12 Pacific Rim nations; and Regional Comprehensive Economic Partnership (RCEP), a proposed FTA taken place among ASEAN and six other Asia Pacific nations including India.

And as was committed in Bali and also as was reaffirmed in Nairobi, a permanent solution to the food security should emerge out in 2017 when next ministerial negotiations will be held. On the critical issue of special safeguard mechanism to protect farmers against any spurt in imports and volatility in commodity prices, the Indian Government has made sure that what was given to us as a right in Hong Kong ministerial declaration must be honoured. Now a decision to commit on the SSM and a decision to agree upon a work plan on the SSM is made out at Nairobi, the work plan must come out with clarity.

India and other developing economies have been successful in keeping away any provision to allow ever greening of patents at the Nairobi ministerial of WTO despite much pressure from some nations to the contrary. The firm stand was aiming at ensuring accessibility and affordability of generic medicines.

It is imperative to mention here that there is much difference in regard to India's position in 2001, when Doha declaration was issued and the India 2016 when Nairobi declaration was issued. This is because India has evolved and progressed in various aspects and India's interest has also been changed with time.

India and other developing nations have been successful in preventing any provision to allow "ever greening" of patents at the Nairobi, despite the very fact that there has been much pressure from developed countries. This firm stand did aim to ensure accessibility and affordability of generic medicines.

Services Negotiations

India is seeking trade facilitation pact for services at WTO negotiations. This is because India enjoys considerable competitiveness in the services sector. There is a need to have a trade facilitation agreement for services on the lines of agreement for goods. It is believed that India will raise this issue when developed economies press upon the introduction of new issues. The elimination of barriers to services export and seamless movement of services is what the need of the hour is.

Newly Emerging Challenge

The developing world could face difficulties in facing trade disputed at WTO in coming years. This is because the world trade slows, may result into much higher level of protectionism world over and that is what the developing economies are witnessing. As a result, there could be an increased use of trade remedies and these are used often, hence, some of these may come up as trade disputes.

The developing countries are facing paucity of legal professionals to deal with increasing cases of trade disputes. These cases could pose a great challenge in the coming times for developing economies due to the fact that very often these are conditions that may add as restrictions in the free movement of trade and servicers.

The biggest challenge is to deal with labour and environment issue wherein developing economies are at disadvantageous position. For instance, India has been very active in regard to WTO's dispute settlement mechanism. India is a complainant in 22 cases and also respondents in 23 cases as well as third party in nearly 100 cases. India and other developing nations have to increase the "pool" of trade lawyers and legal experts to handle dispute cases in most effective and efficient manner. What is of most concern is that India and other developing countries have very limited lawfirms. The number of such firms must grow as it is the only available option.

What should be done?

The real fact is that DDA/DDR is dead and accordingly, there is no point in wasting time and energy to put DDR/DRA back on track. This does not mean the WTO has become irrelevant. There are different segments of the multilateral trading system that have contributed significantly in protecting the interests of developing and least developing economies. These countries must work for preserving these aspects at all costs. India and other developing countries along with least developing economies must seek a discussion on the survival of multilateral trading system and strengthening the WTO to make it more relevant in upcoming G-20 Summit in China in 2016. It is true to say that China owes it to all developing and least developing countries to make best use of its presidency of the G-20 for getting world commitment on the strengthening of the existing multilateral trading system. A proactive role, in keeping with the present political and economic interest could serve the interest of developing economies in general and least developing economies in particular. A comprehensive conclusion of the DDR/DDA with economically meaningful and balanced outcomes could provide impetus to world trade liberalization and facilitation.

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BOOK/PAPER REVIEWS

BOOKS

Emerging Issues in Global International Agricultural Trade and Development
by Dragan Miljkovic, Nova Science Publishers, Ino., 2016.

MOST of the typical international agricultural trade research evolves around traditional topics such as the impact of various trade policies including tariffs/taxes on the flow of agricultural trade among countries and on resulting agricultural prices, or the impacts of preferential, regional and global trade agreements on agricultural productivity and welfare implications of such measures on different interest groups. Yet, a variety of issues emerges as potentially more relevant and constraining for the future of global agriculture.

This book is dedicated to such issues, on the margin at the moment yet obviously most important for the future of agriculture, globally and locally.

India and Iran Trade: Issues and Challenges by Rakesh Mohan Joshi in *Reintegrating Iran with the West: Challenges and Opportunities*, Mohammad Elahee, Farid Sadrieh, Mike Wilman (eds.), International Business and Management, Volume 31, Emerald Group Publishing Limited, 2015, pp.119-131.

INDIA and Iran historically share centuries-old strong socio-cultural and trade relations since ancient times. The chapter explores emerging opportunities and challenges in trade and investment in the present era. While Iran is one of the leading producers and exporters of oil, India, a major market for hydrocarbons, is heavily dependent on imports to meet its domestic requirements. This offers trade complementarities between the two countries as India is a secure market for Iran's oil whereas Iran facilitates India to decrease its over-dependence for oil on Saudi Arabia.

This chapter discusses the mutually beneficial trade relationship as well as potential for further deepening the existing economic ties between these two ancient civilizations that could offer a win-win situation for both countries.

International Trade Agreements Before Domestic Courts: Lessons from the EU and Brazilian Experiences by **J**ardim de Santa Cruz Oliveira, Maria Angela, Springer, 2015.

THIS book addresses the role of domestic courts in the enforcement of international trade agreements by examining the experiences of Brazilian and the European Union courts. This comparative study analyzes the differences, similarities and consequences of Brazilian and European courts' decisions in relation to the WTO agreements, which have "direct effect" in Latin American emerging economies, but not in the European Union or other developed countries. It observes that domestic courts' enforcement of international trade agreements has had several unintended and counterproductive consequences, which were foreseeable in light of international scholarly debate on the direct effect of WTO agreements. It draws lessons from these jurisdictions' experiences and argues that the traditional academic literature that fosters domestic courts' enforcement of international law should be reconsidered in Latin America in relation to international trade agreements.

This book defends the view that, as a result of their function and objectives together with the principles of popular sovereignty and democratic self-government, international trade agreements should not be considered to be self-executing or to have direct effect.

This empirical work will be valuable to anyone interested in the effects of international trade rules at the domestic level and the role of domestic judges in international law.

NEWS/ARTICLES (NATIONAL/INTERNATIONAL)

NEWS

India-Cyprus DTAA from April, Mauritius to Remain Preferred Route

INDIA today said the revised tax treaty with Cyprus will come into force from April 1 next year under which capital gains tax shall be levied at the source of investments.

"Both sides have now exchanged notifications intimating the completion of their respective internal procedures for the entry into force of the DTAA, with which the revised DTAA shall come into effect in India in the fiscal years beginning on or after April1, 2017, the Central Board of Direct Taxes(CBDT) said in a statement.

Experts, however, said that Mauritius would continue to score over Cyprus as a better investment route at least in the initial two years of the treaty as investments will have to pay short-term capital gains tax at half the rate prevailing during the two-year transition period.

The revised Double Taxation Avoidance Agreement (DTAA) with both the island nations would enable source based taxation of capital gains on shares, however, investments made prior to 1 April 2017, have been grandfathered.

Deloitte Haskins & Sells LLP Senior Director SP Singh said, "Mauritius has remained the favoured route for foreign investments and for the initial two years beginning April 2017, it will definitely score over Cyprus."

The amendment to the two decade old Cyprus DTAA comes after India in May signed a revised tax treaty with Mauritius under which capital gains will be levied on investments made after 1 April 2017.

Following amendment of the 33 year old tax treaty, companies routing funds into India through Mauritius after 31 March 2017 will have to pay short-term capital gains tax at half the rate prevailing during the two-year transition period. The levy is currently at 15 per cent. The full rate will kick in from 1 April 2019.

"It is interesting to note that while the protocol to the India Mauritius DTAA provides for a scenario wherein the taxes in India will apply at 50 per cent of the domestic tax rate on capital gains during the transition period of two years. No such relief is granted in the new India-Cyprus DTAA and therefore, capital gains arising from sale of shares of an Indian company will be taxable at the applicable domestic tax rate," Nangia & Co Partner Rahul Jain said.

India has been in the process of revising tax treaties with foreign nations, including Singapore and Netherlands, to provide for source based taxation of capital gains.

Between April and September 2016, India has received $5.8 billion foreign direct investment (FDI) from Mauritius, $4.6 billion from Singapore, $1.6 billion from the Netherlands and $381 million from Cyprus.

Besides FDI, a large number of institutional investors or FIIs investing in stocks are also based out of low tax jurisdictions like Mauritius and Cyprus.

(PTI, India Today, 16 December 2016)

Parliamentary Panel for Cut in Interest Rates For Exporters

A parliamentary panel has suggested that interest rates should be brought down to help exporters which are facing problems in global markets. The Department Related Parliamentary

Standing Committee on Commerce has appreciated the various products offered by banks to facilitate a robust export credit framework "but it also strongly feels that the rate of interest on such credit may be brought down".

It also said that the banks must ensure regular exporters meet and have tie-up with various credit information bureaus to obtain information on the overseas parties for the benefit of export business customers.

The committee said that EXIM Bank should reach hinterland areas so that export infrastructure may be created giving a boost to exports from those areas. To reduce transactions cost, it said there are lots of difficulties for completion of paperwork by traders at the Land Customs Station. The local traders still lag behind in their marketing capabilities, it said adding "proper training and guidance in these areas need to be given to the traders".

It said the infrastructure built for export purposes at the trading points needs a lot of improvement in terms of the structure, purpose and the same must be built by "reputed agencies or firms" in order to provide world class facility. It has recommended that the Department of Commerce should engage the State government to resolve the problems.

"The committee is of considered view that on the lines of imported products, a system may be devised for export products too where the excise authorities after verifying the product for export may issue 'goods checked and sealed certificate' which may be deemed adequate to cover compliance for all the 17 Acts and Rules," it added.

(PTI, *The Economic Times*, 16 December 2016)

EU Says Committed to 'Broad, Ambitious' FTA with India

THE European Union remains committed to a "broad and ambitious" free trade agreement (FTA) with India, but hopes that the "stalemate" on the issue would be resolved soon, a senior EU trade official said.

Addressing the Trade and Investment Partnership Summit (TIPS) 2016 organized by the Europe India Chamber of Commerce (EICC) in Brussels, Jolana Mungengova, member of the Cabinet of EU Trade Commissioner, expressed hope that the "stalemate" would be overcome soon.

"The EU and India are long lasting partners and the EU remains committed to a broad and ambitious FTA with India," Ms. Mungengova said.

"While our bilateral negotiations remain at a stalemate for the time being, it does not mean nothing is being done to resume talks. Our objective is not to resume negotiations just for the sake of it. The goal is to resume negotiations so that the EU and India can have a real chance to make progress to conclude a trade agreement," she said.

Her views were echoed by other industry and policy experts at the summit, however some sounded a note of caution over the approach towards achieving a trade agreement.

"The entire issue of an FTA is a very contentious one. The EU has signed a landmark agreement with Canada, which could be a pointer to what is possible and what is difficult.

It is important to note that every FTA also has to address a domestic political constituency...there must be a happy meeting point," said Swapan Dasgupta, Rajya Sabha MP and keynote speaker at the summit.

India and the EU have been working on signing an FTA since 2007 but an agreement remains elusive over key sticking points on both sides. Arnaldo Abruzzini, CEO of Brussels based trade group Euro chambres, questioned whether the traditional trade agreement format was even viable.

"Are we sure that the traditional trade agreement is the best way to invest our resources today? We should be pushing for a new dimension of international trade relationship, one that involves economic diplomacy a different way to achieve the same results as trade negotiations," he said.

The EICC's TIPS annual conference was created with the aim of fostering bilateral trade, investment and economic relations between the EU and India.

"We are here to build economic bridges," said Manjeev Singh Puri, Indian ambassador to the EU.

This year the theme of the summit revolved around 'Europe and India: Anchors of economic stability in today's chaotic times', given the backdrop of Britain's recent referendum in favour of an exit from the economic bloc.

Ravi Kumar Mehrotra, EICC chairman and executive chairman of the Foresight Group, noted "To meet the suffocating international challenges and the EU being a major economic player, the EU and India need to develop a much more comprehensive dialogue than they have done so far".

Shishir Bajoria, chairman of the Bajoria Group and EICC director, who spearheaded the 'EU, Brexit and India: Changing Landscapes' session at the summit, said, "The instability following the Brexit referendum has had a negative impact on the fragile European recovery.

"While Britain grapples with the after effects of the referendum results, the US elects a new President, and China tackles its over production issues, Europe and India have the potential to become the anchors of economic stability, much needed to bring about a recovery. Growth is the most essential ingredient to solving most problems in the world".

Sunil Prasad, EICC secretary general, added, "TIPS should be seen in the context of India becoming the fastest growing major economy in the world and also in the context of an unpredictable economic and social environment in Europe and how both can face emerging global challenges".

The event, co-organized by Business Europe, Euro chambres, European Business and Technology Centre (EBTC), included sessions addressed by experts from industry, business and finance from both India and the EU, representing the likes of Tata Consultancy Services (TCS) Europe, BNP Paribas Fortis, France, and European Investment Bank (EIB).

The event concluded with the Europe launch of 'The Modi Doctrine: New Paradigms in India's Foreign Policy', edited by Anirban Ganguly, Vijay Chauthaiwale and Uttam Kumar Sinha.

(PTI, *The Economic Times*, 8 November 2016)

Indo-UK Alliance May Unlock GBP 2 bn. Business for British Companies

THE new partnership on smart cities forged between India and the UK could open up business worth GBP 2 billion for British businesses and help secure financing for such projects here.

Liam Fox, Secretary of State for International Trade, UK, said the partnership agreed upon by Prime Minister Narendra Modi and his British counterpart Theresa May was "another sign of the close integration" of the two economies.

"All of this could open up potential business for UK companies of up to 2 billion pounds and help secure financing initiatives for Smart City projects here in India utilizing the expertise of the city of London," Mr. Fox said while addressing the India UK Tech Summi there.

Mr. Fox said that if handled sensibly, collaboration with India in smart cities provides a lot of opportunities for the UK in terms of trade with another maturing, developed economy.

"Our ability to provide the seeds of knowledge that can deal with some of the problems that we are talking about today is not only good in the short term for our business and for the effect on the population of India, but also good for us as a trading partner in the longer term," he said.

"The new British government and the Department of International Trade that I head will be looking at this as a priority because trade and development are a win-win where we can export the technologies and the knowledge base to help India be able to deal with the problems of demographics and also the opportunities that those represent."

Describing the United Kingdom as the "world leader in smart cities technology," Mr. Fox said: "As the Anglo India commercial alliance becomes ever more important and ever more vital, we must utilize that experience to achieve India's technological and social ambitions."

He is of the view that the transformation of cities is key to addressing the challenges we face today like climate change, population growth and demographic change, among others.

"It is essential that the world's great cities adapt rapidly in order to survive and thrive over the coming decades," Mr. Fox said, adding that smart technologies and solutions are becoming enablers of this transformation, helping address some of the challenges of rapid urbanization by improving services and delivering high standard of living.

Fox is here as part of a delegation led by British Prime Minister Theresa May, who is on her first overseas trip as the UK Prime Minister. Her assessment is India's rapidly growing economy could provide it with trade opportunities as it prepares to leave the European Union.

Talking about Shri Modi's vision of smart cities, Ms. May had said they had agreed on a new partnership that will bring together governments, investors and experts to work together on urban development, unlocking opportunities worth GBP 2 billion for British businesses over the next five years.

(PTI, *The Economic Times*, *8* November 2016)

Strengthen ECGC to Promote Export Finance: Nirmala Sitharaman

COMMERCE and Industry Minister Nirmala Sitharaman pitched for adequate headroom to ECGC so as to promote export finance, saying she will raise the issue with the Finance Ministry as well as the Reserve Bank.

Citing an estimate by Asian Development Bank, she said exports from India suffer due to unmet trade finance needs of as much as US$300 billion.

"We shall take the issues of ECGC with the Finance Ministry to further strengthen it and will also negotiate with RBI so that greater room is given to ECGC because it cannot be too much regulated," she said at the Diamond Jubilee celebrations of Export Credit Guarantee Corporation of India (ECGC).

At this crucial time, said Smt. Sitharaman, the government needs to support exporters to explore newer markets.

"We cannot tie their (ECGC) hands in the back... we need to support the ECGC and strengthen the organization so that it gets the flexibility to operate," she added. ECGC, wholly owned by the central government, was set up with the objective of promoting exports by providing credit risk insurance and related services.

ECGC requires a proper space and headroom so that it can have the flexibility to support greater institutions of exports, Smt. Sitharaman said. The minister said that exporters need to look at newer markets like Latin America and Africa as demand growth is slow in the traditional markets. Smt. Sitharaman said that around 90 per cent of world merchandise trade and services involve credit, guarantee or insurance.

"Over 90 per cent of India's merchandise exports are made on short-term credit, i.e. less than 360 days. Engineering goods, chemicals, pharmaceuticals, textiles, garments, diamonds and leather account for a substantial share of exports," she said. ECGC's role is very vital in handholding exporters in the trying times because exports have seen a continuous decline over several months, she added.

"We have to look for newer markets which maybe in Africa or in Latin America and it is for ECGC to stand by the exporters to assure them that they are not going to face any risk," Smt. Sitharaman said.

(PTI, *The Economic Times*, *8* November 2016)

UKIBC Calls for Comprehensive FTA with India to Boost Eco Ties

UK India Business Council (UKIBC) has called for a comprehensive free trade agreement between India and Britain to boost trade and investment ties. "What we at the UKIBC would advocate is a Comprehensive Economic Partnership Agreement that covers trade in goods and services and bilateral investment," the council's chair Patricia Hewitt told *PTI*.

She is here as part of a delegation led by UK Prime Minister Theresa May. Ms. Hewitt said that this agreement should be forward looking, considering the economic drivers of the future rather than the current or past.

But she added that the formal discussions on FTA "won't and can't" begin until the UK has left the European Union.

On areas where businesses of both the countries can enhance their cooperation, Ms. Hewitt said that for the UK companies, India is increasingly open to FDI and it is moving up in the 'ease of doing business' rankings.

"Just as importantly, there is a rising interest demand for the UK goods, services, technology and knowhow to help achieve the goals set out in programmes such as Make in India, Digital India, Skill India and Swachh Bharat. And there are several areas where more bilateral trade and investment can bring near term benefits to both countries," she said.

She added that time waits for no one and it is important that companies do not wait for the Brexit dust to settle and a comprehensive bilateral economic agreement to be inked to do business. The opportunity is now.

Under Make in India, there are several manufacturing sectors that offer substantial scope for UK India innovation collaborations particularly in defence and aerospace.

The opportunities are multiple for the UK and Indian businesses to buy and sell right now, Ms. Patricia said. UKIBC which supports UK businesses with insights, networks, policy advocacy, services, and facilities needed to succeed in India.

The bilateral trade in goods between the countries stood at US$14 billion in 2015-16.

India has received US$23.10 billion FDI from Britain during April 2000 and March 2016.

(PTI, *The Asian Age*, 7 November 2016)

India, Britain Sign MoUs on IPR, Ease of Doing Business

INDIA and Britain have signed memoranda of understanding (MoUs) on intellectual property rights (IPR) and ease of doing business following delegation level talks led by Prime Ministers Narendra Modi and Theresa May here in Delhi.

"Advancing business through agreements. The two leaders witness exchange of MoUs in Intellectual Property and Ease of Doing Business," External Affairs Ministry spokesperson Vikas Swarup tweeted.

The MoU on IPR envisages establishing a mechanism for furthering cooperation between the intellectual property offices of India and Britain in the field of intellectual property and related information technology services, according to the External Affairs Ministry.

It will include exchange of best practices, experience and knowledge of intellectual property awareness among the public, businesses, industry, research and development organizations and educational institutions, as well as on processes for disposal of applications for patents, trademarks, industrial designs and geographical indications.

The MoU on ease of doing business intends to make expertise from different departments of the British government which have led the ease of doing business drive in Britain available to the relevant departments and agencies of the Indian government, according to the Ministry.

It includes exchange between the officials, sharing of best practices and technical assistance for effective implementation of the initiatives of GOI to improve its ranking in the ease of doing business.

Important areas of cooperation include support to businesses and start-ups, tax administration, regulatory regimes, and competition economics. Earlier, Shri Modi and Ms. May addressed the India-UK Tech Summit here. This is Ms. May's first bilateral visit outside of Europe since she assumed the Prime Minister's office in July this year.

She took over the prime ministership after David Cameron resigned following the historic referendum in June in which Britain voted to exit from the European Union. Mr. Cameron rooted for Britain to stay in the EU. Ms. May's visit comes a little less than a year after Shri Modi's visit to Britain in November last year.

(IANS, 7 November 2016)

India Pitches for Chinese Investment under 'Make in India'

INDIA has made a strong pitch for Chinese investments under the Make in India initiative in a range of sectors like infrastructure development and solar energy at two events in the booming eastern Zhejiang province. Dr. Nagaraj Naidu, Director General of Investment Trade and Promotion Division of Ministry of External Affairs, introduced the overall investment environment and guidelines for benefit of companies from Huzhou city at the India China Business and Investment Forum and India Week celebrations.

A 60-member Indian business delegation headed by Prakash Gupta, Consul General of Indian Consulate in Shanghai, took part in the events from October 31. The events were jointly organized by the consulate and the local Huzhou government.

The cooperation with Huzhou was a unique initiative bringing together economic, commercial and cultural aspects and intends to transport a truly Indian experience, said a statement from the consulate.

India's strong pitch for Chinese investments at the two events was mainly directed towards infrastructure development, solar panels, roads, smart cities, urban transportation and power sectors.

Huzhou located at an hour's drive from Shanghai has been a key business partner for India in the Eastern China Region, and the city firms have shown a keen interest in investing in India under Make in India initiative, it said.

There was also considerable interest amongst the Huzhou people to know about the Indian culture, films and art forms and given this context, Huzhou was chosen as the second city in Zhejiang Province after Wenzhou to launch the India Week celebrations, it said.

Huzhou Communist Party of China Secretary Qiu Dongyao assured them of Huzhou companies' strong interest in investing in Make in India projects pertaining to infrastructure and smart cities.

The India Week Celebrations commenced with a cultural dance performance "Rhythms of Rajasthan" by the Kalbelia dance troupe. Additional presentations covered possible collaboration in banking, IT, e-commerce and medical tourism into India. A series of B2B meetings were also organized for participating Indian companies with their Huzhou counterparts. An MoU was signed between Indian Confederation of Indian Industry Shanghai RepOffice and China Council for Promotion of International Trade Huzhou for future collaboration in promoting bilateral commercial exchanges between India and Huzhou, the statement said.

An Indian food festival was also organized showcasing the best Indian culinary experience, it added.

(PTI, *The Economic Times*, 2 November 2016)

Chinese Hurdle to be India's Concern at International Trade Meet

THE government is looking at ways to handle the Chinese headache while negotiating Regional Comprehensive Economic Partnership Agreement, which will create one of the world's largest free trade blocs.

The issue will be foremost on commerce and industry minister Nirmala Sitharaman's mind when she meets trade ministers from the 16 countries, including China, South Korea, Japan, Australia and ASEAN members in the Philippines later this week.

At the last ministerial meeting, India had agreed to a common approach for tariff reduction for all countries instead of its earlier plan of a three-tier approach where it was offering to slash customs duty on less than half its imports from China while offering to open its market more for others such as ASEAN, Japan and South Korea, with which it has trade agreements. A second set of countries included those such as Australia with which a trade pact is being negotiated.

Having agreed to a common approach, sources said, the government is now going to seek greater flexibility so that it can sequence its tariff reduction plan for various countries and offer higher cuts for some. So, the government may offer to open up more quickly for imports from, say, Vietnam than for China. India's trade deficit with China, which rose to nearly $53 billion last year, is a major worry for the domestic industry as well as policy-makers, who are keen to reduce the gap by boosting exports and also checking imports, which included mobile phones, electric bulbs and iron & steel.

Sources said India would not like to open up 85 per cent of its market to all countries, something that was offered under the bilateral trade agreement with Japan. "For India, China is the concern. Being ambitious beyond Japan is going to be very difficult," a key negotiator said. Sources said when it came to China, even Japan and Korea were cautious. Services, which is being resisted by the ASEAN members led by Singapore. The flow of Indians beyond software professionals was a key focus area for the government.

(TNN, *The Economic Times*, 2 November 2016)

India's Engineering Goods Fast Losing Chinese Market: Report

AMIDST concerns over widening trade deficit with China, India's engineering exports to the country dropped by 45 per cent to US$584.10 million during April-September, reflecting subdued demand in some of the core sectors like non-ferrous metals, according to a report.

The analysis by engineering exporters' body EEPC India shows that India's engineering exports are "fast losing a huge Chinese market, falling by annualized 57 per cent in September to US$92.57 million from US$216 million a year ago".

"For the cumulative period of April-September this year, the country's engineering exports to China dropped by a sharp 45 per cent to US$584.10 million over US$1.06 billion in the first half of the previous fiscal," EEPC India noted.

The sharpest decline in shipments to China was witnessed in non-ferrous metals, as much as 78 per cent from US$631.17 million in April-September 2015 to US$139.50 million in Arpil-September 2016.

"China as an export destination has been a disappointing story this year. This is reflective of continuous weaknesses in the core sectors of the economy, which is also somewhat a case in major economies," EEPC India Chairman T.S. Bhasin said.

However, neighbouring countries – Nepal and Bangladesh sprang a surprise for India's engineering exports, helping reverse its fortunes.

The engineering dispatches to Bangladesh, on the back of a growing economy, rose to US$146 million in September from US$121 million in the same month last year. For the first half of the current fiscal, shipments to Bangladesh went up to US$919 million from US$687 million.

Likewise, engineering consignments to Nepal for September jumped to US$ 178.55 million from US$64.60 million. For the April-September period, shipments to the country grew to US$1.06 billion from US$755 million.

Overall, the country's engineering exports moved up to US$5 billion in September from US$4.7 billion during the same month last year. India's trade deficit with China swelled to US$52.68 billion in 2015-16, from US$48.48 billion in the previous fiscal.

(PTI, *The Economic Times*, 26 October 2016)

Strong Argument in Favour of India NZ Free Trade Pact: John Key

WITH India emerging as one of the fastest growing large economies, New Zealand Prime Minister John Key said there is a "strong argument" in favour of an ambitious free trade pact between the two nations.

The joint study by the two countries had demonstrated that significant complementarities exist between the economies and that market opening trade pact would deliver a broad range of benefits to both countries.

The negotiations for the trade pact started in 2010 and several rounds of talks have already taken place.

"I think there is a very strong argument that New Zealand and India should conclude a free trade agreement and there is an even stronger argument that we should see that the agreement is really ambitious," said Mr. Key at a meeting with industry chambers here.

In 2008, New Zealand had signed a NFTA with China. Mr. Key said while the demographics of China and India are broadly the same, yet New Zealand does eight times as much business with China than it does with India. The imports by New Zealand from China are "massive multiples" of the current two way trade it has with India.

Mr. Key further said that "I think for us the reason of being here really is because the world has identified that India is going to be very strong, successful and dominant player in the world's landscape in the years ahead.

"You have got the population to drive that, actually now you have got the motivation to drive that and so for New Zealand, we want to partner with you".

The bilateral trade between the nations was US$1.8 billion, an increase of 42 per cent in the past five years.

Speaking on the occasion, Minister of State for Finance Arjun Ram Meghwal pointed out that the two countries have been discussing the FTA, but not reaching a conclusion.

He said this time when the negotiators of the two countries meet, they should work to reach a conclusion.

Earlier, a joint statement issued after the meeting of Prime Minister Narendra Modi and Mr. Key said the two countries are committed to work towards a "high quality, comprehensive and balanced bilateral FTA which would deliver meaningful commercial outcomes to both sides."

(PTI, *The Economic Times, 26* October 2016)

PM Narendra Modi to have Ten Bilaterals on Sidelines of BRICS Summit

PRIME MINISTER Narendra Modi will have nearly ten bilaterals, including an annual summit with Russian President Vladimir Putin, in three days in Goa from October 15 on the sidelines of the five-nation BRICS Summit and BIMSTEC outreach meet.

Prime Minister Modi will first meet Mr. Putin on Saturday for the annual summit and the talks with Chinese President Xi Jinping are expected to be held later that day. His summit with Brazilian President Michel Temer is scheduled for Monday.

While issues such as terrorism, economy and connectivity are expected to dominate the deliberations at the multilateral level, bilateral meetings will see India exploring ways to enhance cooperation in key areas of security, defence, energy and investments, officials said.

Apart from holding meetings with leaders of BRICS (Brazil Russia India China South Africa), Shri Modi will have talks with Prime Ministers of Bhutan, Bangladesh, Nepal, Sri Lanka and Thailand. He will also have a bilateral with State Counsellor of Myanmar Daw Aung San Suu Kyi, who is arriving in India on October 16 on her first visit to the country after assuming the office.

During Modi Putin meeting, key issues of defence, security, civil nuclear cooperation, trade and investment are expected to dominate the talks.

Significantly, Indian envoy to Moscow Pankaj Saran had said that India has conveyed its views to Russia over its joint exercise with Pakistan, a nation which "sponsors and practises terrorism as a matter of State policy", and that it will create further problems.

The bilateral summit also comes at a time when India is undertaking large-scale defence modernization programme involving replacing old Russian equipment with modern ones from the country itself and from other nations.

Some of the most important defence deals currently under discussion are purchase of five S400 'Triumf' long range air defence missile systems, Kamov28 helicopters and upgradation of the Sukhoi 30MKIs.

(*The Economic Times*, 13 October 2016)

China Assures Wider Market Access for Indian Products

CHINA has assured India that it will act on the concerns expressed by India on giving greater market access to domestic products to bridge the widening trade deficit.

The issue, among others, was discussedduring the meeting held in Goa between Commerce and Industry Minister Nirmala Sitharaman and Wang Shouwen, Vice Minister for Ministry of Finance and Commerce, China.

The Chinese minister is here in Goa to attend the 6th BRICS Trade Ministers' meeting. "The Chinese Vice Minister assured that China would act on the concerns expressed by India regarding market access for Indian goods in the Chinese markets," the commerce ministry said in a statement.

During the meeting, Smt. Sitharaman raised concerns over the widening trade deficit between the two countries. Both the leaders exchanged notes on trade and commerce and agreed that the "mounting bilateral trade deficit has been a cause for concern for India" which seeks greater market access for its goods for a long-term sustainable trade relationship, it said.

Smt. Sitharaman requested expeditious clearances for import of Indian rice besides a 'Green Channel' for import of Indian pharmaceutical products to China especially those which already have USFDA and EUFDA accreditation, it added. She also requested the Chinese Vice Minister to consider demonstration of IT/ITeS projects for Indian companies which have acquired global acclaim.

"She expressed concerns at the long drawn procedures for clearances which tend to frustrate the Indian companies seeking business opportunities in China," it added. Further Smt. Sitharaman asked for 'buying missions' to India to source amongst other things, Indian tobacco and oil meals.

On the other hand, the Chinese Minister informed that recently China has quickened the pace of granting clearances to Indian pharma companies for import of the pharma products, it said.

The Chinese Vice Minister also sought cooperation of India on various multilateral fora where China and India are engaged and assured that India's concerns on a 'Single undertaking' will be duly taken on board with services being an integral part of the cooperation agreement.

In 2015-16, India's exports to China were US$9 billion, while imports were $61.7 billion, leaving a trade deficit of $52.7 billion.

(*The Economic Times*, 13 October 2016)

London is 'Open', Mayor Sadiq Khan tells Indian Businesses

MAYOR Sadiq Khan reached out to leading Indian firms, the second biggest foreign investors in London who employ around 50,000 people, to reassure them that the British capital remains "open" for business amid concerns arising out of uncertainty post Brexit.

The Pakistani origin mayor hosted a meeting at his City Hall office by the river Thames with 17 companies already workingwith London, including the Tata Group, Infosys, Wipro, ZEE TV, ICICI Bank, amongothers, to discuss expanding their links with London after Britain's decision to leave the EU.

"London is open for investment and business from around the globe and the city already has an excellent trading relationship with India," the 46-year old Mr. Khan said. "I am looking forward to meeting with leading Indian businesses to reassure them that our great city remains open to the best global talent, and I'm keen to discuss how we can strengthen and support further investment in London," he added before the meeting, which was chaired by his Indian origin deputy mayor for business and enterprise, Rajesh Agarwal.

Among the participants was Shuchita Sonalika, UK Country Head and Director of the Confederation of Indian Industry. She said nearly 40 per cent of the fastest growing Indian companies investing in the UK are based in London, highlighting that London has been the destination of choice for Indian FDI. "Their diverse operations range from IT, financial services, media and entertainment, tourism and others," she said.

"We hope that London will continue to be an attractive place to do business and their interests will be fortified post Brexit.

This interaction of Indian companies with Mayor Sadiq Khan is testament to that effort and CII looks forward to working with the Mayor's team to deepen business links between India and London," she added.

Indian businesses employ around 50,000 people in London and are the second biggest foreign investors in London.

According to data from the Mayor's promotional company, London & Partners (L&P), in the last 10 years, London has attracted more foreign direct investment (FDI) from India than Japan and China and only the US invests more. India is also described as a "crucial trading partner" for London and a "significant market" for London's businesses, with the value of the city's exports to India amounting to 1.29 billion pounds in 2014.

There is uncertainty over what Britain's vote to leave the European Union in a referendum in June would mean for foreign businesses.

Kevin McCole, Chief Operating Officer of the UK Business India Council (UKIBC), said:

"Indian business contributes hugely to London, and London businesses contribute hugely to India. So, at this time of uncertainty due to Brexit, the UK India Business Council is delighted that the Mayor and his Deputy have taken the time to hear the views of Indian businesses in London, and, quite rightly, to remind them that London is open for business."

(India Today, 12 October 2016)

India Takes Up Market Access Issues with China

THE Government says it recently has raised the issue of greater market access for its goods and services in China with a view to increase exports and bridge the widening trade deficit.

Commerce and Industry Minister Nirmala Sitharaman said that in a recent meeting with the China's Ambassador designate to India, she has flagged various issues in areas like IT and pharmaceuticals.

"I have spoken to him in detail about various areas on which I want Chinese to respond to us... He has assured me that he would look into it and come back to us," she told reporters.

Explaining about the issues, the minister said many of India's exports are now being routed via Vietnam.

"If exports to China should happen, it should happen directly from India to China. There are several Indian IT companies who have established business in China but whose operations are lagging behind schedule because permissions are not given easily and inspections are happening over and over again," she said.

Smt. Sitharaman also said that Indian banks which are there and are trying to help Indian exporters are not given operational freedom in China.

"So there are many such issues which I have listed out," she said adding "We are talking to them to get the greater market access".

Further, a Chinese delegation have come to see domestic labs for phytosanitary clearances but they have not yet responded.

"I had reminded the Ambassador about it saying China cannot consume so much time for these things," Smt. Sitharaman said."...our companies do not get market access. So we are definitely working with Chinese to see how best we can increase our goods market access in China," she added.

In 2015-16, India's exports to China were US$9 billion, imports were US$61.7 billion, leaving a trade deficit of US$52.7 billion.

(PTI, *The Times of India*, 10 October 2016)

Utilize CEPA More to Boost Export to Japan, Government Tells Companies

INDIAN companies should utilize CEPA (Comprehensive Economic Partnership Agreement) much more to increase exports to Japan and help bridge the trade deficit, Commerce and Industry Minister Nirmala Sitharaman said.

The CEPA, signed in 2011 between the two nations, is one of the most comprehensiv eagreements. It has covered areas such as goods and services, rules of origin, IPR, government procurement, customs procedure, etc.

"There are opportunities for Indian companies to utilise this agreement much more as trade deficit is a matter of concern," Ms. Sitharaman said at a seminar organized by Research and Information Systems for Developing Countries.

The Minister further said Indian traders and manufacturers must find greater market access in Japan.

"The share of Indian companies in Japanese drug market continues to be low and it is limited only to Active Pharmaceutical Ingredients (APIs). So more has to be done in that area," she said.

Japanese Pharmaceutical sector offers a huge untapped potential for India's pharma companies, she noted. On IT exports to the country, she said it is very low at US$1 billion. "I am sure will be able to serve Japanese market better," she said.

(*The Economic Times*, 6 October 2016)

Sweden Promotes Innovation Through 'Make in India' Initiative

SWEDEN is celebrating its tenth edition of The Sweden India Nobel Memorial Week 2016 in India between October 1-7 with an eye on celebrating innovation which Alfred Nobel promoted and contributing to Modi government's focus on creating innovation hub in this country.

The annual high profile exercise organized by Swedish Embassy to India showcases the sustainability and innovations of Sweden and Swedish companies.

The Sweden India Nobel Memorial Week 2016 comprises a number of events ranging from seminars and panel discussions among well-known Indian and Swedish decision-makers from government and business as well as academia, to competitions for student and cultural performances.

These events are taking place across Indore, Pune, Bengaluru, Hyderabad, Chennai, Mumbai, Ahmedabad, Bhubaneswar, Kolkata, Guwahati and New Delhi.

The highlight of the tenth edition of the Week is the visit of the Ibrahim Baylan, Minister for Policy Coordination and Energy, and Erik Brandsma, Director General of Swedish Energy Agency. Other exciting programs of the week are The Nobel Wall in Delhi, Noida and Chennai, The Swedish Film Festival in Chennai and Nobel Memorial Reception.

Sweden's Ambassador Harald Sandberg said, "The Nobel Week is a great platform to strengthen cooperation and deepen relations between both the countries. India and Sweden do share common basic values and interests, and at the same time, we see a great potential to take inspiration from each other and expand our cooperation across a range of sectors. India is a great example of unity in diversity and Sweden collaborates with India under the India's "Smart Cities" initiative. Many Swedish companies specializing in the sustainable urban development sector have been working in India for many years."

The Sweden India Nobel Memorial Week is held in memory of Swedish innovator and philanthropist Alfred Nobel to celebrate Indian Nobel laureates and is organized in cooperation with leading Swedish companies in India. The theme for the tenth edition of the Week is Swedish contributions "Sweden Makes in India", including sustainability and innovation. Our endeavour is to use this platform to focus on innovations and sustainable development, which is the trademark of Swedish companies."

There are around 160 Swedish companies operating in the country employing 160,000 people directly. Big names from Sweden present in India include ABB, Altas Copco, Ericsson, IKEA, SAAB, Scania, SEB, Tetra Pak, Volvo Cars and Volvo Group and the SME partners Blueair, Camfil and Clean Motion.

(*The Economic Times*, 6 October 2016)

Leather Exports Slip 8 per cent in August to $451 million

EXPORT of leather and its products dipped by about 8% in August to $451 million due to demand slowdown in the major market of European Union (EU).

"The EU market accounts for about 65 per cent of India's leather exports and the situation there for Indian product is not good," Council of Leather Exports Chairman Rafeeq Ahmed said. The exports in August last year stood at $490 million. Shri Ahmed said that going by this trend, the exports will reach little over $6 billion by the end of this financial year.

"Our main market is EU and it is not in good shape. Demand is not picking up. But the order books for the next three months are good from across the globe. We hope to enter positive zone," he added.

Although the government is taking steps to promote overall exports, "we are demanding to extend the benefits under the Merchandise Exports from India Scheme (MEIS) for some mixed (leather plus synthetic) products," he added.

The government recently extended fiscal incentives to more items such as marine products at higher rates under the scheme with a view to boost exports, which remain in the negative zone. The total support extended by the government under the MEIS has been enhanced to ₹ 23,500 crore per annum from the present ₹ 22,000 crore.

Exporters body FIEO said that incentives extended by the government would help in enhancing the competitiveness of domestic players and boost outbound shipments.

(*The Economic Times*, 3 October 2016)

WTO Panel to Discuss India's Paper on TFA in Services

THE first meeting of a WTO panel to discuss the new concept paper floated by India on a proposed trade facilitation agreement in services will be held on October 6 in Geneva. India is pitching for this agreement with a view to reduce transaction costs by doing away with unnecessary regulatory and administrative burden on trade in services. "The Indian concept paper will be discussed at a meeting of the WTO's working party on domestic regulation on October 6," an official said.

The country's move assumes significance as the services sector contributes significantly in the economies of developing nations.

Services sector contributes about 60 per cent to India's economy and 28 per cent in the total employment.

With the growing importance of the sector, India has time and again pitched for liberalization and streamlining of norms for the sector in the Geneva-based World Trade Organization (WTO).

In its concept note, India has proposed for simplification of procedures and clarity in work permits and visas for smooth movement of professionals.

India is making the case for this pact in line with the Trade Facilitation Agreement (TFA) in goods, signed by WTO in 2014, which aims at expediting movement, release and clearance of goods as well as cooperation on customs compliance issues.

"There is need for a counterpart agreement in services, an Agreement on Trade Facilitation in Services (TFS Agreement), which can result in reduction of transaction costs associated with unnecessary regulatory and administrative burden on trade in services," India's concept note has stated.

It said there is a need to look at the disciplines on measures relating to taxation, fees/charges, discriminatory salary requirements, social security contributions in relation to temporary entry in order to ensure that these do not unfairly disadvantage foreign service suppliers.

India has sought comments and suggestions from all the WTO members on this note.

The 164-member body makes rules for global trade.

(*The Economic Times*, 2 October 2016)

International Trade Ties: On Global Fora it's Difficult to Unite Developing Nations, says Nirmala Sitharaman

WITH geoeconomics replacing geopolitics in a multi-polar world, Commerce Minister Nirmala Sitharaman said it was now becoming difficult to unite developing countries on trade-related issues in forums such as the World Trade Organization due to divergence of interests.

"They (developing and poor countries) may be with you on one or two issues. But, in a multi-polar world, it's very difficult to consolidate to have an ideological position," Smt. Sitharaman said releasing the book "India and the World: Essays on Geoeconomics and Foreign Policy" written by Sanjaya Baru, senior journalist and former media advisor to ex-Prime Minister Manmohan Singh.

The book explores India's evolving geoeconomic relations with the West and with Asia, particularly China, in the aftermath of the global financial crisis of 2008-09.

The Minister said that even though discussions are happening over the past 2-3 years, there has been no concrete agreement in global trade. "It's very trying time for global economy, particularly trade related matters," she said. In 2015-16, India became the world's fastest growing large economy, overtaking China. India's resurgence has renewed global interest in the geopolitical implications of India's economic rise.

"India's biggest challenge is how to manage this multipolar world," Shri Baru said at the event.

These essays analyze the influence of business and trade on foreign policy, India's approach to multilateralism and the relevance of regional trade integration for the Indian economy and South Asia.

These were written after Shri Baru served a term in the Prime Minister's Office as a key advisor to Shri Singh during India's negotiation of a civil nuclear energy agreement with the US.

Last year, India had expressed disappointment over the lack of unanimity in re-affirming to conclude the 2001 Doha Development Agenda at the Nairobi ministerial of the World Trade Organization (WTO), although it managed to secure commitments to allow developing nations to use a special safeguard mechanism (SSM) to protect their farmers from a spurt in imports and for a work plan on a permanent solution to the issue of food security.

However, developed nations refrained from making any commitment to trim massive trade-distorting farm subsidies offered by them, despite hectic negotiations that went beyond the scheduled closing of the ministerial.

(*The Indian Express, 30 August 2016*)

ARTICLES

Trump Reverses Course on another Trade Issue by Charles Wallace, 11 February 2017.

PRESIDENT Trump has apparently changed his mind on another important trade issue, coming out in favour of extending the life of the US Government's Export-Import Bank, which has been denounced by Conservatives as corporate welfare.

Mr. Trump told voters during the election campaign that he would oppose the Ex-Im Bank because he regarded it as "featherbedding" for politicians and large corporations.

Conservatives point to studies that show that the loans extended by the bank benefit just a handful of multinational US companies, with Boeing taking 40% of the loans and General Electric taking another large share.

But Mr. Trump apparently reversed course during a luncheon this week with a bipartisan group of Congressional leaders.

Mr. Trump "wants to get that done," Sen. Joe Manchin, a West Virginia Democrat, told *Politico* after the meeting with the President. "He said, 'I've changed my mind completely on that. I've seen how it functions and what it can do and we can't compete if we don't have a functioning Ex-Im Bank.'"

Mr. Trump made the issue of increasing exports and American jobs a central issue of his campaign. That has apparently taken precedence over his opposition to corporate welfare issues, which have been championed by such figures as House Speaker Paul Ryan and Senate Majority Leader Mitch McConnell.

President Obama had tried to extend the life of the bank, but the Republican-controlled Senate Committee on Banking, Housing and Urban Affairs refused to take up his nominations for the Ex-Im bank's board, denying the agency the necessary votes to approve new loans.

(http://www.forbes.com)

Top 10 States Most Affected by Potential Trade Issues with Mexico by Adrienne Selko, *Industry Week*, 10 February 2017.

GIVEN the current uncertainty in the trade sector, WalletHub decided to explore the impact of the economic fallout with Mexico on individual states.

The analysts compared the 50 states and the District of Columbia across five key metrics. The data set ranges from "exports to Mexico as a share of state GDP" to "share of jobs supported by trade with Mexico."

Some highlights include:

- New Mexico is the most dependent state on exports to Mexico, supplying 45 per cent of the state's total exports to the country, whereas Hawaii is the least dependent, supplying 0.10 per cent.
- Arizona is the most dependent state on imports from Mexico, receiving 39 per cent of total US imports from the country, whereas the District of Columbia is the least dependent, receiving 0.77 per cent.
- Texas supplies the highest exports to Mexico as a share of state GDP, 6 per cent, whereas the District of Columbia and Hawaii supply the lowest amount, almost zero.
- Michigan receives the highest imports from Mexico as a share of state GDP, 9 per cent, whereas the District of Columbia receives the lowest amount at 0.01 per cent.
- The District of Columbia has the highest share of jobs supported by trade with Mexico, 7 per cent, whereas Oklahoma has the lowest at 3 per cent.

(http://www.industryweek.com/)

Japan Wants Trump to Understand Country's Trade Issues: Government Spokesman by Kaori Kaneko, *Reuters*, 8 February 2017.

TOKYO wants the Trump administration to better understand Japan's trade issues and recognize its contribution to the US economy when leaders of the two nations meet this week, Japan's top government spokesman said.

Japanese Prime Minister Shinzo Abe and US President Donald Trump will meet in the US this week.

Asked about the US trade position with Japan, Chief Cabinet Secretary Yoshihide Suga said Tokyo's share of America's trade deficit had declined from historic highs and that Japanese firms have invested in the US significantly.

"We want to gain understanding from the Trump administration and further develop the economic relations between the two nations," Suga told a news conference.

"We want to hold constructive talks about the overall economic relations between the two nations."

While Japan's economy still relies heavily on exports for growth, its officials are eager to alter lingering perceptions that the trade advantage is skewed to Japan, a view based on trade wars fought with the US decades ago.

Mr. Suga also said the government would closely monitor the nation's current account balance, which would be affected by the domestic and overseas economies, forex, commodity prices and yield movements.

(http://www.nbinews.com/)

US Trade with Mexico is a Complicated Issue by Mil Arcega, 27 January 2017.

DESPITE what he called a friendly discussion with Mexico's president, President Donald Trump doubled down on his attacks against the imbalance in US-Mexico trade.

In a tweet before his hourlong telephone conversation with Mexico's President Enrique Pena Nieto, Mr. Trump said: "Mexico has taken advantage of the US for long enough. Massive trade deficits & little help on the very weak border, must change, NOW!"

But it turns out trade with Mexico may not be as lopsided as Mr. Trump would have Americans believe. Bilateral trade in goods and services between the two countries was indeed massive, estimated at $583 billion in 2015. Of that, the office of the United States Trade

Representative (USTR) reports total US exports to Mexico amounted to $267 billion, while Mexican imports to the United States were $316 billion — leaving the US with a $49.2 billion trade deficit.

Numbers Can be Tricky

On closer examination, that's not the entire story. In the category of professional services, the US may actually have the upper hand. Total trade in services between the two countries was $52.4 billion in 2015, with the US exporting $30.8 billion in services and taking in $21.6 billion from Mexico. That means the US actually enjoyed a service trade surplus of $9.2 billion. The top service categories include travel, transportation and computer software.

Mexico is the third-largest supplier of goods bound for the US, but it's also the United States' second largest export market, supporting an estimated 1.1 million jobs in the US. Since signing NAFTA (the North Ametrican Free Trade Agreement) in 1994, US exports to Mexico have risen 468 per cent, accounting for nearly 16 per cent of overall US exports.

Economists say trade between the two countries also is complicated. One example — car parts: Over a five-year period, the United States imported about $340 billion worth of auto parts from Mexico. Of that, $136 billion worth of parts were exported back to Mexico, where they were used to manufacture cars that are then sold back to the United States.

Trump Needs to be Careful

That's one of the reasons why some trade analysts say it makes no sense to punish one of America's closest trading partners. William Galston at the Brookings Institution in Washington says Trump needs to be careful not to hurt American businesses when renegotiating established trade deals.

"Since NAFTA, US automobile producers have created a continental supply chain, with Canada and Mexico providing parts and some assembly. That's an important part of the competitiveness of the US auto industry. So if that relationship were to be disrupted, it could have serious consequences."

Mr. Galston adds that disrupting that "conveyor belt" of trade is unlikely to bring back American jobs.

Mexican goods bound for the US include agricultural products, such as vegetables, fruit and beer. Creating a border adjustment tax for Mexican goods, as Mr. Trump has proposed, could hurt Mexican producers, but it would also have a direct effect on American consumers, by raising prices of the Mexican products they buy.

(http://www.voanews.com/)

SMC3 Examines Global Trade Issues : What should Shippers Expect from the New Administration's Trade Policies in Asia? by Patrick Burnson, 23 January 2017.

As SMC3 Jump Start 2017 gets underway in Atlanta this week, three prominent international trade experts will address The Logistics Technology Summit.

What should shippers expect from the new Administration's trade policies in Asia? Logistics managers may be especially concerned about any pending changes in ASEAN relationships.

Another question being raised by our readers: will a new era of U.S. protectionism mean greater role for China in ASEAN and other Pacific Rim trade agreements?

Dr. Donald Ratajczak, consulting economist Georgia State University, does not feel that protectionism is President Trump's prime objective.

"Rather, the threat of a tariff or a border adjustment tax (he prefers the former) is used to renegotiate trade arrangements," he says.

For example, when NAFTA was approved, Mexico had a value-added tax (VAT) of 5 per cent and they were expected to not change that rate. Today, the VAT is 16 per cent.

"He (Trump) would threaten Mexico with a tariff to have them restore the old VAT. I don't know the specific issues in Asia, although he probably would want China to return to their fr ozen currency rate of several years ago – which is not consistent with WTO policy."

Ratalczak adds that when we are attacking trade relationships, retaliation from the other side should be expected. That would include trade arrangements that exclude the US.

"In short, this administration wants better deals, but it needs a club…which is protectionism. Unfortunately, Asian countries may fight back with clubs of their own, including taking the US out of trade agreements. That is the danger of the Trump policy…but not its objective."

According to Ratalczak, the Trans-Pacific Partnership was partially negotiated to offset the rising influence of China. When both presidential candidates rejected this agreement, China stepped up its negotiations with Asian countries.

"If we do not quickly renegotiate an agreement similar to TPP in the future, expect China to become more influential in Asian trade," he concludes.

Benjamin Hartford, CFA and Senior Research Analyst, Transportation, for Baird, agrees that specifics regarding the new administration's policies in Asia are unknown.

"But I would expect China to be ready and willing to fill any void in the Asia-Pacific trade region created by any incremental steps taken by the US to reduce its commitment to trade in the region," he says.

Dr. Walter Kemmsies, Managing Director, Economist and Chief Strategist for JLL Ports Airports and Global Infrastructure, believes the eventual outcome President Trump's trade policies will be a requirement for a greater amount of domestic content in the goods imported into the US.

"It is a rarity to find goods that were produced 100 per cent in any one country," he says. "This is also the case for US imported goods," he says.

He notes that an effort to increase U.S. content in imports from Mexico is a distinct possible outcome with a graduated target percentage increase over a number of years.

"This would displace inputs imported from Asian nations into Mexico," says Kemmsies. "It could also impact Europe."

Finally, Kemmsies observes that Europe-Asia trade is more balanced – and since the U.S. runs a deficit with Asia – it is likely that an increase in local content of US imports will displace Europe as well.

(http://www.logisticsmgmt.com/)

UK-EU Trade Deal: Another WTO Issue,

by Andrew Walker, *BBC World Service*, 22 January 2017.

SO the UK, it seems, is headed out of the European Union's single market, perhaps also out of the customs union.

Prime Minister Theresa May has said she wants to preserve barrier-free trade between the UK and the EU as far as possible.

One option that has been floated, if the two sides can't agree a comprehensive free trade agreement, is sectoral deals. They might cover cars, for example, or perhaps financial services.

But there is a problem with this approach: World Trade Organization rules.

Perhaps the most fundamental idea behind the WTO's rule book is non-discrimination.

It goes by the rather confusing name of "most favoured nation".

It is Article 1 of the WTO's main legal agreement. It means that you must give the same degree of access to your home market that you give to the most favoured nation to all WTO members. A favour for one should be given to all.

You should not discriminate for or against any WTO member.

'Closer Integration'

There are a few situations where the rules allow countries to depart from this principle - the one that is relevant here is for free-trade areas and customs unions (the two have important similarities, but are not the same).

The WTO's rule book says the member countries "recognise the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of countries parties to such agreements".

So a trade agreement between the UK and the EU would be allowed under WTO rules, in fact welcomed, even though it is something that is intrinsically discriminatory. It would involve the EU and the UK discriminating in favour of each other against outside countries.

Of course, the EU itself has the same effect, offering EU members better access to each other's markets than is available to either China or the United States, for example.

But there is a catch. The WTO rules say such agreements should cover "substantially all the trade" between the members of the customs union or free-trade area.

What does "substantially all" mean? There is some case law which touched on this. A dispute between Turkey (which has a customs union agreement with the EU) and India went to the WTO's appeals body, which said in its report: "It is clear, though, that 'substantially all the trade' is not the same as all the trade, and also that 'substantially all the trade' is something considerably more than merely some of the trade."

Not as cut and dried as you might hope, but all the trade experts I have spoken to say that a deal covering just a few sectors wouldn't qualify.

'Glass Houses'

That seems to be reinforced by what a WTO dispute panel said in another case. This one, as it happens was about cars, an agreement between the US and Canada in the 1960s known as the Auto Pact.

There is one line in the panel's ruling that is particularly relevant here: "The Auto Pact, nevertheless, is a purely sectoral agreement which does not meet the requirements of Article XXIV:8" - that is the provision that sets out the "substantially all the trade" requirement.

So such a narrow sectoral deal might well be vulnerable to challenge in the WTO.

But would it Actually Happen?

There seems to be a great deal of reluctance to challenge these agreements. (The India *v* Turkey and Auto Pact disputes were not fundamentally about the wider trade agreements, but about very specific restrictions that the complaining country thought were against the rules.)

More than 600 of them have been notified to the WTO or its predecessor, the General Agreement on Tariffs and Trade.

Many are thought to stretch the credibility of "substantially all trade", by having various sectors uncovered.

But that makes countries reluctant to challenge others, for fear of shining an unwelcome light on their own agreements. As one senior trade official put it: "It's a glass houses kind of thing."

Rules are Rules

So a sectoral agreement between the UK and the EU might be challenged, but it would depend on whether any country wanted to do so.

Think of cars. There is another factor that might make a challenge less likely. Japan and the United States have car industries that have a presence in Europe and might well benefit from a deal between the EU and UK.

So perhaps we might get away with a narrow trade agreement. Even so, the uncertainty would be unwelcome to the industry concerned.

There is also the possibility of simply ignoring any unwelcome WTO ruling. The WTO has no real powers of enforcement. It can allow the other side to retaliate, but it can't arrest the trade minister.

On the other hand, the British government appears to be keen on the rules-based system of international trade and would probably be very uncomfortable about defying a ruling.

All the more reason, if the UK and the EU are going to have a trade agreement, to get as many sectors covered as possible, to reduce the chances of a WTO challenge.

(http://www.bbc.com/news/business-38658025)

India may Offer China Tariff Removal on over 70% Goods by Asit Ranjan Mishra, 19 December 2016.

INDIA plans to offer tariff elimination on more than 70 per cent traded goods with China over an extended period of time under the ongoing negotiations for a Regional Comprehensive Economic Partnership (RCEP) agreement.

"One cannot go beyond 6% offer on either side of common concession. For example, if common concession is decided at 80% for all countries, then we cannot offer China tariff elimination of less than 74 per cent," a government official said, requesting anonymity.

The common concession of tariff lines is the minimum tariff elimination that a country has to offer under RCEP, which is yet to be finalized. India plans to take a longer period to eliminate tariff with China, say up to 30 years, to give the worried domestic industry enough time to adjust to a trade deal with China.

Steel industry is particularly worried as China has been dumping iron and steel products in India at a much lower price than the domestic industry can supply at. India has often resorted to anti-dumping measures to protect domestic industry from the onslaught of cheap imports from China.

"Other countries want a shorter phasing out period of tariffs; we want a longer phasing out period. Others say what you give to one country, you have to give to everybody, which we don't agree to," the official said, pointing at the current level of discussions at RCEP among member countries.

At the Laos Ministerial in August, India had agreed to forgo its own proposal of a three-tier system of tariff concessions to member states under RCEP trade agreement, under which it had proposed to offer 42.5 per cent elimination of tariff lines to China. However, since then, India had sought to play hardball insisting to make services agreement more ambitious where it has an upper hand considering the 12 million skilled youth entering its domestic job market every year.

However, officials are still not clear regarding the possible deliverables in services negotiations, as other members remain inflexible and unwilling to cede ground. "We have to negotiate really hard on services," the official said.

India has also agreed to give the highest level of tariff elimination to the Association of Southeast Asian Nations (ASEAN) grouping. In a bilateral meeting during the just-concluded negotiations in Indonesia, India made the assurance to the ASEAN grouping. The next round of talks is scheduled to be held in Kobe, Japan in February next year.

After the US president elect Donald Trump announced that he will dump the Trans-Pacific Partnership (TPP) agreement championed by present President Barack Obama on the first day in office, focus has shifted to negotiations in RCEP.

Started in May 2013, RCEP comprises the 10 economies of the ASEAN region (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) and six of its free trade partners (Australia, China, India, Japan, New Zealand and South Korea).

The grouping envisages regional economic integration, leading to the creation of the largest regional trading bloc in the world, accounting for nearly 45% of the world's population and with a combined gross domestic product of $21.3 trillion.

The regional economic pact aims to cover trade in goods and services, investment, economic and technical cooperation, competition and intellectual property.

(http://www.livemint.com/)

Inclusive Growth in World Trade: APEC in a Changing Global Landscape by Victor C. Manhit, *Thinking Beyond Politics*, 16 November 2016.

PERU'S hosting of this year's Asia-Pacific Economic Cooperation (APEC) culminates with the economic leaders' meeting this week. Designed to promote trade liberalization in the

Asia-Pacific region, APEC has nevertheless prioritized agendas that underscore the importance of investing in human capital to build sustainable and inclusive economies. Fittingly, the 2016 theme of “Quality Growth and Human Development” builds on the priorities laid out by the Philippine government during its hosting last year.

This year’s agenda is timely: Around the world, populist leaders have come to power, riding on campaign promises that resonate with those who have missed out on the benefits of economic growth. The Philippines is part of this trend. Despite the economy growing by around 6.1 per cent over the last six years, the last administration failed to reach their target poverty incidence of no more than 18-20 per cent. Pervasive inequality helped usher in the rise of President Duterte, who vows to champion the neglected majority.

As world leaders are set to convene in Lima, we must reflect on the promise of growth, the future of trade, and APEC’s role in ensuring more people feel the benefits.

APEC’s Glacial Pace

In 1989, APEC was established as a forum to facilitate discussion on economic growth, trade liberalization, and investment opportunities. Today, its 21 members constitute 58 per cent of the world’s GDP, 49 per cent of total world trade, close to 40 per cent of the global population, and include four of the world’s largest economies.

During the Philippines’ hosting last year, the group adopted two initiatives: on greater economic growth in the region and a framework for the services sector.

For its part, the Philippines held bilateral meetings with 12 leaders, signing 7 agreements and exploring cooperation in security, climate resiliency, and counter-narcotics. In trade, the most concrete outcome was an agreement with Russia establishing a Joint Commission on Trade and Economic Cooperation. Several leaders also endorsed the Philippines’ intention to join the US-led Trans-Pacific Partnership (TPP).

Critics have attacked APEC for producing vague pronouncements more than serious commitments. Nevertheless, there are now over 140 free trade agreements (FTAs) between APEC members and, since the group’s inception, trade barriers are estimated to have been reduced from 17 to 5 per cent. Thus, despite its shortcomings, APEC remains an important platform for members to exchange ideas and discuss measures that promote trade — discussions needed for multi-country cooperation to come about, albeit slowly.

Shifting Leadership in Global Trade

Just 12 months ago, the TPP was widely seen as the first major step for APEC to solidify its vision of a regional free trade zone. This year, APEC discussions will feature the dismal future of the TPP.

With Donald Trump’s election win, anti-trade attitudes are expected to dominate the next US administration. China, which the US had excluded from TPP negotiations, is now poised to be the leading advocate of regional trade deals. It has its own Regional Comprehensive Economic Partnership to promote, but it excludes North America.

Due to its restrictions on foreign ownership, the Philippines had been excluded from TPP negotiations, but the country had signified its interest to join the deal.

If TPP pushes through without us, the country stands to lose out to included countries with similar comparative advantages. The Philippines should continue to engage TPP countries on meeting the standards of the agreement; ultimately, even if it should fail to pass in the short run, the TPP will have laid the groundwork for a trans-regional FTA.

The recent turn of events has signaled that a change in the global dynamic is inevitable. Whichever way the pendulum swings, the government must take a balanced approach, and avoid cozying up to one nation at the expense of another.

Can APEC Promote Inclusive Growth Fast Enough?

While trade clearly spurs economic growth, its impact on development is more muted. Theoretically, by improving growth, trade also boosts incomes and tax revenues that the government can invest in human capital development. Openness to trade increases business and consumer choices across a variety of goods and services. Empirically, indirect linkages between trade and inclusive growth reveal overall positive effects, although the better-off segments of society have benefited more from trade growth.

The development figures in the Philippines are promising: poverty dropped to 21.6 per cent in 2015 from 25.2 per cent in 2012, or by 1.4 million people. Meanwhile, unemployment is at a historical low at 5.4 per cent. Despite the positive trajectory, however, the Philippines, like the rest of the world, should be mindful of whether these drops are fast enough to satisfy the population. There is still plenty of room for policy intervention.

APEC's efforts in human capital development have been geared towards education and skills development, as well as harnessing innovation and technology to transition into knowledge-based economies. This year, there is once again a focus on MSMEs as a driver of inclusive growth and poverty reduction. Current discussions are centered on measures to modernize MSMEs and integrate them in the global value chain. It will be up to our country to set these words into action.

Reaffirm Cross-Border Cooperation

APEC can still be a useful forum for leaders to conduct bilateral and multilateral meetings, but countries should emerge with a clear end in mind for their own people.

This year, the stage is set for Mr. Duterte to reach out to all countries, promote ties with existing partners, and establish them with "non-traditional" markets, like Latin America, to advance his pro-poor agenda. Rather than knee-jerk protectionism, the moment calls for us to reaffirm the importance of cross-border cooperation.

(http://www.bworldonline.com/)

RCEP Countries Agree to Indian Demand on Services, Investment Negotiations

by Kirtika Suneja, 8 November 2016.

INDIA has managed to convince all other countries involved to negotiate the Regional Comprehensive Economic Partnership (RCEP) — a proposed free trade agreement between 16 Asia Pacific countries including China and Australia — as one package.

New Delhi's key demand to negotiate goods, services and investments together, for which there was no commitment in the last ministerial in August, was met in the just concluded meeting of trade ministers of the 16 countries including 10 members of ASEAN plus China, Japan, South Korea, Australia, New Zealand and India.

"The ministers…underscored the urgency of a swift conclusion of the RCEP negotiations as a single undertaking, which will provide a much needed boost to confidence for the global economy," said a joint statement from the talks held in the Philippines on November 3 and 4.

This commitment reassures India that other members will not lose interest in its demands on liberalizing services trade and easing investment norms once New Delhi accepts their demands for tariff concessions on goods.

There has been concern that India has given away too much on the goods side in its other agreements without managing much on the services side where the country has a competitive edge.

RCEP is a comprehensive free trade agreement subsuming goods, services, investment, competition, economic and technical cooperation, dispute settlement and intellectual property rights.

(*The Economic Times*)

Concept Paper for Global Meeting of Trade Ministers Fails to Include India's Work Permit Issues by Kirtika Suneja, 6 November 2016.

INDIA has suffered a setback in its efforts to facilitate easier movement of services sector professionals across borders.

A concept paper to set the tone for a recent global meeting of trade ministers and officials in Norway excluded any mention of work permits and visa related issues, dealing a blow to India's attempts to secure simplified procedures for easy movement of its IT professionals, doctors and architects so that they can work overseas.

India recently submitted a proposal to the World Trade Organization on removing barriers to global trade in services through simplified procedures for temporary entry and stay for professionals, technically called Mode 4 services. It pitched for transparency, streamlining of procedures and elimination of bottlenecks in its paper on Trade Facilitation Agreement in services.

Instead, the concept note only talked about technical standards and qualification requirements — called domestic regulation — needed to ease services trade. "In services, discussions are also moving beyond headlines, at least on the topic of domestic regulation," the note said.

Though the note said that no firm conclusions will be drawn from the meeting, the mini ministerial held a fortnight ago was a preparatory one for the WTO ministerial conference (MC) next year in Argentina.

"They want domestic regulation and we want market access in services through Mode 4...We have said there can't be only one issue that can be discussed," said an official aware of the development. The note further said, "The issues that are at the forefront of the discussions leading up to MC 11, including agriculture, fisheries subsidies, domestic regulation in services, e-commerce and micro, small, and medium sized enterprises, as demonstrated by the high level of engagement in Geneva on these issues, are all of interest to developing members."

The development is a cause for concern, experts said. "What we want in services is not there in the note. Developed countries want us to open our legal services which we can't allow because dispute settlement should stay with us," said a Delhi-based expert.

Similarly, further opening up insurance, banking and broadcasting sectors to foreign investment, in accordance with the demands of developed countries, is not plausible, he said.

According to the joint statement, the ministers provided "strategic policy guidance to advance negotiations, especially in the core areas of trade in goods, trade in services, investment as well as other areas of negotiation". The thrust to include single undertaking in the ministerial declaration was high since other members had not explicitly stated their commitment towards it.

Moreover, India is also likely to have secured some way to keep tariffs high for some countries including China with which it has a large trade deficit. These deviations will help India offer differential tariff concessions to different members of the RCEP.

(The Economic Times,)

Why Looming Trade Troubles are Bad News for Canada by Chris Sorensen, 4 November 2016

KATHRYN MURRAY has a front-row seat to the world of international commerce. The manager of Vancouver's Mission to Seafarers, a charity that supports homesick mariners, tracks all the massive container ships—carrying everything from dishwashers to diapers—that call on bustling ports in BC's Lower Mainland. But lately, she says, the industry looks vulnerable. "They've got these really big ships, but they don't fully load," says Ms. Murray. "They're capable of holding 2,000 containers, but they're showing up with only 800 containers on them. A lot of companies just can't exist on that."

South Korea's Hanjin Shipping is the most recent casualty. The company filed for protection from creditors in early September, leaving some 45 of its ships and an estimated $14 billion worth of cargo stranded at sea—including two off the BC coast. One of the ships, the Hanjin Scarlet, was finally allowed to come into port in Vancouver on 27 October. The 255-m ship's 24 crew only had 10 days' worth of stored food left, the fresh fruits and vegetables long gone.

The shipping industry's woes point to a much larger global economic problem: declining international trade. Since 2012, the global trade in goods and services has grown at less than half the rate of the previous 30 years. While much of the downturn can be explained by the lingering effects of the 2009 recession, some economists fear there may also be more insidious factors at play—namely a growing public backlash against globalization. Two high-profile examples: the United Kingdom's surprise June vote to withdraw from the European Union and the intensely anti-trade rhetoric routinely being spewed by Donald Trump and Hillary Clinton during their US presidential campaigns.

Even Canada, a self-described "trading nation," recently got bitten by rising anti-trade sentiment. Ottawa's seven-year effort to negotiate a free-trade deal with the European Union was nearly scuttled by the tiny, economically depressed Belgian region of Wallonia, which initially refused to sign off on the Comprehensive Economic and Trade Agreement, or CETA. There are also growing fears the 12-nation Trans-Pacific Partnership (TPP) trade deal, of which Canada is a signatory, may be dead in the water. That's a potentially big problem for Ottawa, which was counting on more exports to pull the country out of an oil-induced slump. "More of our export shortfall may be structural than previously believed, rather than cyclical," warned Bank of Canada governor Stephen Poloz in a recent speech.

Why is this happening? While economic theory says a rising tide of international trade eventually lifts all boats, it also brings disruptive change that can leave some feeling as if they're been left to drown. In the US, for example, an estimated five million US factory jobs disappeared over the past 15 years, with many of them moving to China and Mexico. In exchange, US consumers enjoyed heaping shelves of cheap, foreign-made goods at their local Wal-Mart store—a gain, to be sure, but one that likely comes as small consolation if you've been handed a pink slip. If all that weren't enough, today's trade deals are more complicated—and controversial—than ever, reaching far behind borders to deal with issues of regulatory and legal harmonization. There's also growing disagreement about how much more benefit they will actually yield.

Yet, despite the challenges, turning our back on global trade seems a recipe for ruin. Consumers are rarely willing to pay more than necessary, and isolationism, even if it were economically desirable, is unrealistic in an era when a growing number of firms like Netflix and Amazon offer products and services via the borderless Internet. "There's a whole frontier of 21st-century trade issues that are going to have to be discussed, debated and negotiated," says Lee Branstetter, an economics professor at Pittsburgh's Carnegie Mellon University. "Otherwise we could face first-order losses relative to a world where we continue to move forward."

Global trade in goods and services grew at an average annual rate of about 9 per cent between 2003 and 2007, according to a recent IMF study. But it fell to just 3 per cent between 2012 and 2015 for goods, and just 5 per cent for services. Even more alarming, the slump has been remarkably widespread, with 143 of 171 countries recording trade declines over the same period. Relative to gross domestic product (GDP), the downturn is even more stark: world trade grew on average twice as fast as GDP between 1985 and 2007, according to the IMF, but in the past four years it's barely kept pace. "Such prolonged sluggish growth in trade volumes relative to global economic activity has few historical precedents during the past five decades," the report said.

Economists aren't entirely sure what's going on. As much as three-quarters of the downturn can probably be explained by weak domestic economies in countries around the globe, from Canada to China. The rest may be due to companies hitting a natural plateau as they fan out their manufacturing footprints across the globe. It's also possible, according to the IMF, that the slump is being exacerbated by "the waning pace of trade liberalization over the past few years and the recent uptick in protectionist measures."

It's certainly easy to see why someone might come to that conclusion. In June, 52 per cent of the British electorate turned back the clock on nearly a quarter-century of European integration by voting to leave the EU, the world's largest free-trade zone, catching just about everyone off guard. The government collapsed, the pound fell to a 30-year low and snarky economists warned the British may have become the first to vote in favour of a recession. The lesson? "You've now got massive globalization critics throughout the world, which you have to take seriously," says Harald Bathelt, a professor of geography and planning at the University of Toronto.

Closer to home, Republican presidential nominee Donald Trump continues to wage a campaign against the liberalized trade policy that's been a hallmark of American foreign policy for half a century. He's promised to build a towering physical wall along the US-Mexican border, tear up the North American Free Trade Agreement and levy huge tariffs on Chinese and Mexican imports (even though Trump's clothing lines are made in China and much of his real estate business's steel is sourced there as well). Not to be outdone, Democratic nominee Hillary Clinton has refused to support the TPP, prompting former prime minister Brian Mulroney to recently suggest the trade deal between the US, Canada, Australia, Japan and eight others "is not going to fly." Ms. Clinton barely even defends the NAFTA deal that her husband, former president Bill Clinton, signed in 1993.

Prof. Branstetter says the anti-trade rhetoric can be explained by the electoral map, with workers in Rust Belt swing states like Michigan, Ohio and Pennsylvania feeling duped by politicians who said global trade would make them richer. "Voters were promised a quick trip to the promised land, but several decades later find themselves in an economic wilderness," he says. "If I remember my Bible correctly, what followed was a period of flirtation with idolatry—and here comes Donald Trump with his golden calf."

Canada, for the most part, has so far managed to avoid falling into a similar anti-trade trap—possibly because our more generous welfare system helped blunt the impact of the 500,000 manufacturing jobs that were lost between 2000 and 2009. But that doesn't mean we're unaffected by the backlash. By conventional measures, more than a third of the Canadian economy is dependent on trade—mostly with the US and China. That means if we want to get the economy growing again—the IMF is predicting barely-there GDP growth of 1.2 per cent this year—Canadian firms will need to sell more goods and services overseas. No wonder, then, that Canada pushed so hard to get CETA signed last month, with Trade Minister Chrystia Freeland nearly coming to tears when it appeared negotiations were at an impasse.

But CETA still has a long way to go before coming into force. It must be ratified by all 28 of the EU's member states and scores of regional governments, including Wallonia. And many Europeans remain wary of the pact's complex Investor State Dispute Settlement system, which could allow multinational corporations to override governments whose policies impact their profitability. "It's not really about Canada," says Prof. Bathelt. "It's about a deal that's been decided behind closed doors, and that people don't understand."

Not everyone is wringing their hands over the uphill battle Canadian trade negotiators are facing on the other side of the Atlantic. Michael Hart, a professor emeritus at Ottawa's Carleton University and a former official at Global Affairs Canada, says the nearly 1,600-page CETA agreement has more to do with satisfying Europe's Byzantine internal rules than opening up brand-new markets for Canadian companies, which already export about $35 billion worth of goods and services to the EU. Even if CETA is signed and ratified, the Conference Board of Canada estimates that only an additional $1.4 billion would be added to Canada's merchandise exports by 2022—mainly via gains in the chemical, rubber, plastics, agriculture and automotive sectors. "There comes a time," says Prof. Hart, "when you have to do the political and economic arithmetic and ask: how much bending do we need to do for an agreement that, in my opinion, will yield fairly marginal results?"

Indeed, the trade deals of the 1980s and 1990s were largely focused on reducing tariffs and thus captured much of the low-hanging fruit available to Canadian firms. Today's deals, by contrast, tend to be focused on removing non-tariff barriers—from domestic labelling requirements to government procurement programs—all while taking steps to provide investors with a way to side-step local courts in the event a dispute arises. In short, they often require governments to rewrite laws and alter programs, which guarantees opposition from entrenched interests. "We're now dealing with the fruit that's at the very top of the tree," Prof. Hart says.

Prof. Hart also warns that dwindling global trade numbers should be taken with a grain of salt due to growing problems with the way they're measured. Take the iPhone, for example. It's officially listed as an import from China, where its final assembly takes place. But studies have shown only about US$10 of the device's US$275 cost is related to Chinese labour since the components are sourced from throughout Asia, and the design and marketing work—which account for the bulk of phone's price—is handled by Apple in California. The same is broadly true of many other products. The Conference Board tried to account for the phenomenon a few years ago by measuring only how much value is added to a product as it passes through a country. The results were surprising. Under the new calculations, the share of Canada's trade-related GDP fell to just 24 from 35 per cent, suggesting Canada's dependence on trade may actually be below the world's average, not above. The 2011 report suggested the finding may explain why Canada was less impacted by the 2009 recession than other countries: we are far less exposed to the global economy than we think we are. It may also explain why today's cheap loonie has failed to give the economy much of an export boost.

Another factor that's weighing down global trade numbers, both in Canada and abroad, is the rising importance of services, which are also poorly measured. Prof. Branstetter, uses the example of a Canadian couple who flies from Toronto to Bangkok, booking beach rentals through Airbnb and taxi rides on Uber. "They're basically interacting with a global network of computers and servers, and many of the companies providing these services are headquartered in the US," he says. "But very little of this counts as international trade in services." It also means those US corporations pay almost no taxes for delivering those products.

Of course, just because trade may be happening without being properly tracked doesn't negate the need for future agreements. If anything, it makes them even more important so that the full value of these new web-enabled services can be realized. But it won't be easy. "This will require international coordinating efforts because a democracy in one part of the world may value customer data differently than another," says Prof. Branstetter. It will likely also require countries to figure out how to properly assess taxes on the likes of Google, Facebook and others.

Moreover, policy-makers must be mindful of what's known as the bicycle theory of trade liberalization: if you stop pedalling, you fall over. Put another way, failing to push for future trade deals not only carries an opportunity cost, but threatens to unwind gains made through earlier agreements. It takes far more effort to dismantle protectionist walls than it does to build them up. Yet the trade monitoring group Global Trade Alert warns the number of protectionist measures implemented by countries this year has climbed to the highest level since 2009.

The trend, if allowed to continue unchecked, threatens to raise prices for just about everything—from sweatpants to car tyres. Unless, of course, you happen to be in the market for a few dozen (slightly used) ocean-bound container ships.

(http://www.macleans.ca)

India Mulls New Formula of Duty Cuts to Curb Trade Deficit with China

by Kirtika Suneja, 2 November 2016.

IN a move to contain its rising trade deficit with China, India is mulling ways to reduce further onslaught of Chinese goods entering its market by reducing and delaying duty concessions to China.

Even though nothing is firmed up, India may maintain a separate negative lists of items on which it will give limited or no tariff concessions to Chinese imports under the Regional Comprehensive Economic Partnership (RCEP) trade agreement. Commerce Minister Nirmala Sitharaman could discuss the new approach at the ministerial level talks on 3-4 November in the Philippines.

"The big elephant in the room is China which worries Japan also…For India everyone knows China is the concern," said a commerce department official.

The new approach of differential treatment comes in the wake of India's burgeoning trade deficit with China. In 2015-16, India's exports to China were $9 billion while the imports were a staggering $61.7 billion leaving a trade deficit of $52.7 billion.

"With China, we may have a different negative list. We have not taken a call on this but we are discussing it," the official said.

Since India had to do away with a three-tier structure of differential duty cuts as part of the negotiations, these deviations are considered to be the last ray of hope to contain the trade deficit with China under a formal trade agreement.

RCEP is a comprehensive free trade agreement subsuming goods, services, investment, competition, economic and technical cooperation, dispute settlement and intellectual property rights between 16 countries – 10 members of the Association of Southeast Asian Nations and their six free trade agreement partners – Australia, China, India, Japan, Korea and New Zealand.

(*The Economic Times*)

A Little-Noticed Fact About Trade: It's No Longer Rising by Binyamin Appelbaum, 30 October 2016.

THE constant flow of goods from Asia to the United States was briefly interrupted last month after Hanjin, the South Korean shipping line, filed for bankruptcy, stranding several dozen of its cargo ships on the high seas.

It was a moment that made literal the stagnation of globalization.

The growth of trade among nations is among the most consequential and controversial economic developments of recent decades. Yet despite the noisy debates, which have reached new heights during this presidential campaign, it is a little-noticed fact that trade is no longer rising. The volume of global trade was flat in the first quarter of 2016, then fell by 0.8 per cent in the second quarter, according to statisticians in the Netherlands, which happens to keep the best data.

The United States is no exception to the broader trend. The total value of American imports and exports fell by more than $200 billion last year. Through the first nine months of 2016, trade fell by an additional $470 billion.

It is the first time since World War II that trade with other nations has declined during a period of economic growth.

Sluggish global economic growth is both a cause and a result of the slowdown. In better times, prosperity increased trade and trade increased prosperity. Now the wheel is turning in the opposite direction. Reduced consumption and investment are dragging on trade, which is slowing growth.

But there are also signs that the slowdown is becoming structural. Developed nations appear to be backing away from globalization.

The World Trade Organization's most recent round of global trade talks ended in failure last year. The Trans-Pacific Partnership, an attempt to forge a regional agreement among Pacific Rim nations, also is foundering. It is opposed by both major-party American presidential candidates. Meanwhile, new barriers are rising. Britain is leaving the European Union. The World Trade Organization said in July that its members had put in place more than 2,100 new restrictions on trade since 2008.

"Curbing free trade would be stalling an engine that has brought unprecedented welfare gains around the world over many decades," Christine Lagarde, managing director of the International Monetary Fund, wrote in a recent call for nations to renew their commitment to trade.

Against the tide, the European Union and Canada signed a new trade deal on Sunday.

It may be hard, however, to muster public enthusiasm in the United States and other developed nations. The benefits of globalization have accrued disproportionately to the wealthy, while the costs have fallen on displaced workers, and governments have failed to ease their pain.

The Walmart Revolution is Over

During the 1990s, global trade grew more than twice as fast as the global economy. Europe united. China became a factory town. Tariffs came down. Transportation costs plummeted. It was the Walmart Era.

But those changes have played out. Europe is fraying around the edges; low tariffs and transportation costs cannot get much lower. And China's role in the global economy is changing. The country is making more of what it consumes, and consuming more of what it makes. In addition, China's maturing industrial sector increasingly makes its own parts. The International Monetary Fund reported last year that the share of imported components in products "Made in China" has fallen to 35 from 60 per cent in the 1990s.

The result: The IMF study calculated that a 1 per cent increase in global growth increased trade volumes by 2.5 per cent in the 1990s, while in recent years, the same growth has increased trade by just 0.7 per cent.

Hanjin, like other big shipping companies, bet that global trade would continue to expand rapidly. In 2009, the world's cargo lines had enough room to carry 12.1 million of the standardized shipping containers that have played a crucial, if quiet, role in the rise of global trade. By last year, they had room for 19.9 million — much of it unneeded.

India is not China redux. Most trade flows among developed nations. The McKinsey Global Institute calculates that 15 countries account for roughly 63 per cent of the global traffic in goods and services, and for an even larger share of financial investment.

China joined this club the old-fashioned way: It used factories to build a middle class. But the automation of factory work is making it harder for other nations to follow. Dani Rodrik, a Harvard economist, calculates that manufacturing employment in India and other developing nations has already peaked, a phenomenon he calls premature deindustrialization.

The weakness of the global economy is exacerbating the trend. Infrastructure investment by multinational corporations declined for the third straight year in 2015, according to the United Nations. It predicts a further decline this year. But even if growth rebounds, automation reduces the incentives to invest in the low-labour-cost developing world, and it reduces the benefits of such investments for the residents of developing countries.

The political reaction is global, too. The economist Branko Milanovic published a chart in 2012 that is sometimes called the elephant chart, because there is a certain resemblance. It shows real incomes rose significantly for most of the world's population between 1988 and 2008, but not for most residents of the United States and other developed countries.

The chart is often presented as a depiction of the consequences of globalization. The reality is more complicated, but perception is undeniable. Voters in developed nations increasingly view themselves as the victims of trade with the developing world — and a backlash is brewing.

Donald J. Trump's presidential campaign is an obvious manifestation, as is Hillary Clinton's backing off from her support of the Trans-Pacific Partnership trade deal. A study published in April found that voters in congressional districts hit hardest by job losses are more likely to reject moderate candidates, turning instead to candidates who take more extreme positions.

Economic stagnation is turning European voters against trade, too.

Professor Rodrik said that proponents of free trade were guilty of overstating the benefits and understating the costs. "Because they failed to provide those distinctions and caveats, now trade gets tarred with all kinds of ills even when it's not deserved," he said. "If the demagogues and nativists making nonsensical claims about trade are getting a hearing, it is trade's cheerleaders that deserve some of the blame."

(https://www.nytimes.com/)

Deutsche Bahn Wants to Use INSTC to Trade with Iran by Dipanjan Roy Chaudhury, 28 October 2016.

THE International North South Transport Corridor (INSTC), which carried out the first test shipment this month between India and Russia, has received a shot in the arm with Germany's decision to trade with Iran via this connectivity project.

Deutsche Bahn, a leading German railway company, has expressed interest in using INSTC and delivering goods from Europe to Iran via Azerbaijan and vice versa, according to people familiar with the development. This will boost India's plans to use INSTC to reach not just Russia but also beyond Europe in shorter time than required at present. INSTC is a land and sea based 7,200 km long network comprising rail, road and water routes that is aimed at reducing costs and travel time for freight transport in a bid to boost trade between Russia, Iran, Central Asia, India and Europe.

The network is expected to provide faster and more efficient trade connectivity between Europe and Southeast Asia, Deutsche Bahn said. A study, conducted by the Federation of Freight Forwarders' Associations in India, showed that INSTC will be 30 per cent cheaper and 40 per cent shorter than the existing routes.

(*The Economic Times*)

Brazil Embraces "Make in India": Perto/ Digicon Opens its First ATM Machine plant in India by Dipanjan Roy Chaudhury, 19 October 2016

JUST as the VIII BRICS Summit came to a closure, Brazil inaugurated its first "Make in India" initiative. The Brazilian Perto S.A., a Digicon Group company, a high technology and IT company and the world's leading manufacturer of Automatic Teller Machines (ATMs) and Cash Dispenser Machines (CDMs), inaugurated its first plant in India, in the Mahindra World City in Jaipur.

"As we launch the Perto factory in Jaipur,we undoubtedly take another significant step towards a solid commercial and investment relationship, based on high technological content and added value, setting a model to be followed", said Brazilian Ambassador Tovar da Silva Nunes at the inauguration. Rajasthan Minister of Industries Gajendra Singh Khimsar, founder of Group Perto/ Digicon, Joseph Elbling, the CEO of the group, Thomas J. Elbling and the CEO of Perto India, Roberto Baur were also present on the occasion.

The factory in Rajasthan, which has international regional export potential, was entirely built with green field direct investments, on a 100,000 square metre plot. According to Perto's research, the potential for the Indian market is estimated at over 500,000 ATMs.

India today has only 195,000 ATMs, only 40 per cent of its potential. The manufacturing facility in Rajasthan required an initial investment worth $3.1 crore, that may exceed $6.5 crore. The investment is expected to generate direct employment for highly skilled and skilled labour, and generate demand for local quality services and suppliers.

"The VIII BRICS Summit and its related events in the economic area set the tone for the new trade and investment relations between Brazil and India. Without neglecting traditional sectors of Indian economy, the investment represents a new look ahead, with diversification of actions. The mutually beneficial partnership is getting out of the treaties,

(*The Economic Times*)

Doublespeak at the WTO by D. Ravi Kanth, 12 October 2016.

WTO chief Roberto Azevedo has embarked on trade issues important to tech giants in the US but food security and India-US solar dispute have been pushed back.

Buenos Aires, the capital of Argentina and the land of football and tango, will host the biennial trade ministerial summit of the World Trade Organization (WTO) next year. If all goes well, the famous Argentinian capital could serve two major objectives: a formal burial of the Doha Development Agenda (DDA) trade negotiations and a launch of the Buenos Aires round of trade negotiations focusing on e-commerce and stringent disciplines for small and medium enterprises (SMEs). Early indications of what is going to happen at the eleventh ministerial meeting in South America came from almost identical statements made by the global trade elite.

New trade deals will fructify at the WTO, *The Economist* said in its edition dated 1 October. WTO director-general Roberto Azevedo, it says, "can imagine the WTO brokering another global trade deal, but only when expectations have been managed down from Doha". So the Doha Round could find its mortuary in Buenos Aires.

"As for the WTO, it will for now push 'plurilateral' deals of its own, which embrace enough of WTO members to be significant but which avoid the quagmire of having to secure the agreement of all its 164 members," *The Economist* wrote.

"Indeed, the failure of TPP (Trans-Pacific Partnership) and TTIP (Transatlantic Trade and Investment Partnership) agreements", according to the global mouthpiece of liberal trade and globalization, "could provide an opportunity for the WTO to re-emerge as the main forum for the trade-liberalization agenda". Indian trade policymakers, who are increasingly devaluing their role at the WTO in preference of regional trade agreements, ought to pay attention to these signals coming from different quarters.

Writing in the same magazine on 8 October, US President Barack Obama made a strong case for technological advances fuelled by "the Internet, mobile broadband and devices, artificial intelligence, robotics, advanced materials, improvements in energy efficiency and personalized medicine". President Obama suggested that the Internet and the new transformational technologies must now contribute to boosting productivity for overcoming the crisis in global capitalism.

"Lifting productivity and wages also depends on creating a global race to the top in rules for trade," the US President argued. Despite existential opposition for concluding the TPP and the TTIP agreements in the face of an anti-trade and anti-globalization tirade in the US and other countries, President Obama has decided to keep pushing for these two agreements, as they will "level the playing field for workers and businesses alike".

Close on the heels of those pronouncements from Obama administration, the WTO director-general has also contributed his might when he made a strong case for trade in a keynote lecture he delivered at the National Press Club in Washington DC on 7 October. Denouncing the growing anti-trade and protectionist sentiments, almost on the lines of what President Obama wrote in *The Economist*, Mr. Azevedo underscored the need for a "global, systemic response" along with "active and creative (domestic) approaches" for labour market policies.

Mr. Azevedo, who in his earlier avatar as Brazil's trade envoy had championed the cause of 19th and 20th century trade issues such as reform in global agriculture, rules of origin, and even exchange-rate misalignment and trade remedies (5 November 2012), has now embarked on 21st century trade issues that are at the heart of tech giants in the US and other industrialized countries. The director-general suggested e-commerce (apparently worth around $22 trillion) and SMEs as the appropriate candidates for the global trade reform.

Of the three issues he highlighted in his lecture, two areas—"how to harness the power of e-commerce to support inclusiveness" and "how to ensure support for small and medium enterprises"—are what Washington and Brussels are pushing hard at the WTO—despite a total disconnect with half of the world and its poor inhabitants.

The third issue—"how to open goods and services trade to new players in developing and developed countries"—seems like crocodile tears when Mr. Azevedo knows fully well that little will happen on this count. For example, India's concept paper on trade facilitation in services which seeks to eliminate the bottlenecks and barriers in global trade in services is already trashed by the US, Canada and other western countries. Even if they move an inch on New Delhi's proposal, they will ask for a pound of flesh from India to agree to e-commerce and disciplines on SMEs as a trade-off. They will also turn their back on the so-called permanent solution for public stockholding programs in developing countries. India must watch out that it is going to be targeted for its domestic farm subsidies after the US succeeds in its trade dispute against the Chinese subsidies for rice, wheat, and corn.

Puzzlingly, Mr. Azevedo's emphasis on e-commerce to support inclusiveness coincided with calls to "connect the world" by Facebook's founder Mark Zuckerberg, and "a cloud for global good" in which Microsoft's Satya Nadella wants "the computing clouds to be inclusive"—to promote their technology enterprises worth tens of billions of dollars.

In short, the bread-and-butter issues that could address real hunger—such as the public food security programs in the least-developed and developing countries, or industrialization programs which are smothered by WTO rules such as the Trade-Related Investment Measures Agreement as witnessed in the recent US solar dispute against India—are nearly pushed into the coffin. Little wonder that the Orwellian doublespeak by the director-general and his supporters in the Western world has created an anti-trade sentiment and fertile ground for furthering the Marie Antoinette-type of global systemic solutions—let peasants eat cake if they are starved of bread—for another four years.

(http://www.livemint.com/)

Why Boycott Calls Against China India's Largest Trade Partner Will fail by Abhishek Waghmare, 12 October 2016

SOME Indian politicians are currently leading a campaign to boycott Chinese goods. But an India Spend analysis shows why this will fail: China is India's largest trade partner, a sixth of India's imports are Chinese, up from a 10th in 2011-12, while India's exports to its rival have halved over the same period.

Imports from China grew at 20 per cent over two years and 5 per cent over five years, to $61 billion. These goods range from power plants and set top boxes to Ganesh idols. This is despite the fact that India's imports have generally fallen overthe last five years from $490 billion (₹ 32 lakh crore) to $380 billion (₹ 25 lakh crore) because of a fall in global oil prices.

India's exports to China have fallen from $18 billion (₹ 86,000 crore) in 2011-12 to $9 billion (₹ 58,000 crore) in 2015-16.

Apart from cotton, copper, petroleum and industrial machinery, India does not export much to China. This means that India buys six times the merchandise it sells to China.

Cell phones, laptops, solar cells, fertilizers, keyboards, displays and communication equipment including earphones these are India's chief imports from China, according to our analysis of Ministry of Commerce data. Other major imports from China include tuberculosis and leprosy drugs, antibiotics, children's toys, industrial springs, ball bearings, LCD and LED displays, routers, TV remote controllers and set top boxes.

Despite this, political leaders, including Sharad Yadav of Janata Dal (United) from Bihar, Himanta Biswa Sarma, the newly inducted Finance Minister of Assam, and Anil Vij, Health Minister of Haryana, are appealing for a boycott of "Made in China" goods. Shri Yadav, for instance, recently said: "Balance of trade between our country and China has become imbalanced which will be very harmful and dangerous for our domestic industry."

"People should not buy Chinese goods. Instead, Indian goods should be used. Trade with China is affecting our country. China is not our friend nation. China can buy weapons with whatever money it earns. There is a possibility that the weapons are given to enemy countries. We should focus on Make in India," Shri Vij was quoted as saying by the Indian Express.

China was referred to as the "world's manufacturing powerhouse" by former Reserve Bank of India Governor Raghuram Rajan and Chief Economic Advisor Arvind Subramanian in a February 2006 research paper. India, however, "failed to match its neighbour in this process", asserted the paper, published by the US based National Bureau of Economic Research.

Stagnating indices for the manufacturing sector show that India is still struggling to compete with China. Despite a record foreign direct investment of $55 billion in 2015-16, private investment in manufacturing is still sluggish.

India Spend visited Manish market, the hub of imported Chinese goods in Mumbai's heart. Chinese products here are cheaper, available in bulk, neatly packaged and easy to buy.

"If the 50 different types of LED lamps that I sell were available from say, Surat, at a cheaper rate and at my doorstep, why would I go for Chinese lamps?" asked a lamp distributor and retailer, requesting anonymity. "If I had to buy these in India, this collection would cost me double." China moved forward with rapid market reforms from the 1980s, propelled by the establishment of special economic zones. Land and labour reforms helped it ramp up its production capacity. The result is that India's iron, steel and fertilizer production is a 10th of China's.

China's export story is also driven by ease of market access. Take the example of Sumant Kasliwal, who runs an apparel e-commerce start-up in Mumbai. After two years of shopping for merchandise in India, he switched to China two years ago. His sales have tripled since.

Customers rarely have to waste time in China searching for markets and products, said Shri Kasliwal. It took him less than a week to buy a three-month consignment that ranged from jewellery to fabric. "Even small market towns like Yiwu comparable to Varanasi in terms of population have a one stop, dedicated market for all consumer durables, from fashion to home accessories, with cost and quality options," he said. "In India, it would take us weeks."

(IANS, India Spend)

India Plans Roadshows for Promoting Textile Exports to New Markets by Kirtika Suneja, 12 October 2016.

PLUMMETING textile exports have prompted India to look outside traditional markets and tap the ones being served by competitors such as China. The textiles ministry is planning to do roadshows to promote Indian textiles in the new markets, officials said.

"We used to hold roadshows earlier and we want to approach new markets through these. We have identified Russia, South America and West Asia to boost exports,"said one of the officials.

The plan to do roadshows abroad comes in the wake of a 3.3 per cent decline in exports in 2015-16 to $40 billion from $41.4 billion in the previous year due to India losing its competitive edge to Bangladesh and Vietnam. Textiles sector is among the largest contributors to India's exports, with a share of almost 11 per cent. The US, European Union and parts of Asia are the main markets for Indian textile and apparel exports.

The government had in June announced a ₹6,000 crore package for textiles and apparels sector to help it wrest a bigger share of the global market. Besides pushing exports, roadshows abroad will also benefit the domestic textile industry, which employs about 40 million workers and 60 million indirectly.

"Russia and West Asia are not our traditional markets but have been developing as important destinations in recent years. So, it is a good idea to promote our textiles there,"said textile expert DK Nair. "If the government is doing roadshows at its level for the entire industry, it is a first of its kind," he said.

Shri Nair said the government had held roadshows in India earlier while different export promotion councils promoted products internationally. Roadshows abroad may not translate into immediate exports, Shei Nair said, but will create a market for Indian products in markets that have been served by China till now.

The textiles ministry, which has set a target of doubling textile exports in 10 years, plans to enter into bilateral agreements with Africa and Australia, along with working on a new textile policy to promote value addition.

(*The Economic Times*)

Indian Embassy in Washington to Facilitate Businessmen to Expand US Enterprise: Reenat Sandhu
by *Viney Sharma*, 11 October 2016.

INDIA is targeting to increase its bilateral trade with the US to $500 billion from current levels of over $100billion, in the near term.

"Indian Embassy in Washington is all set to facilitate businessmen from India to expand their enterprise in the US, Reenat Sandhu, Minister (Commerce), Embassy of India, Washington DC, told *The Economic Times* on the side-lines of an inter activesession organized by Confederation of Indian Industry here in Chandigarh.

Indian diaspora has a huge presence in the US and many of them looked upon as an inspiration back home in India. With some making it to coveted positions in US Government and other thriving in business.

According to a recent joint report by PwC and Indo American Chamber of Commerce (IACC), bilateral relations between India and the US have been cemented further in the last two years with increased issuance of visas, visits by dignitaries, initiatives to combat terrorism, as well as trade.

Ms Sandhu shared that the US has strict quality standards which must be met by those wanting to expand businesses in that country. The Embassy is ready to extend all support to CII members on guidance on how to meet US quality standards as well as on the laws, etc.

US is the second largest trading partner of India with a growth potential of bilateral trade increasing to $500 billion in the near future.

"10 sectors like aerospace and defence, banking, financial services and insurance, chemicals, dedicated freight corridors, energy and infrastructure have the immense potential not just for domestic growth, but also for strengthening India's position as a global business hub. India is a fast growing economy, especially Northern region is very important for the US because of the spirit of enterprise of the people here," she added.

CII Punjab Council Vice Chairman, Gurmeet Singh Bhatia said, "In recent years, growing Indian investments into the US has been a novel feature of bilateral ties. More than 65 large Indian corporations, including Reliance Industries Limited, Essar America, Tata Consultancy Services, Wipro and Piramal, have together invested about US$17 billion in the US.

"Both countries can witness exponential growth in some years if right steps are taken by both the governments. For the industry in the state high customs duty has been a deterrent, even though we have seen constant rise in export of sports goods and hand tools. However, with the visit of the US President, the industry is hopeful that dampeners in export to the US could be removed. The US has a huge demand for handicrafts from Punjab. However, that market was taken over by Chinese goods due to better finishing and packing. But there is an immense scope of revival and grabbing the US market by improving the quality of handicrafts being exported," he said.

Mr Khushjiv Singh Sethi, Vice Chairman, CII Mohali Zonal Council said, "We hope India can learn from the technological developments taking place in the US and replicate them in Punjab's export sectors of sports goods, textiles & apparels, hand tools and handicraft, and IT & ITES revolution taking place here, which is a global multiplier effect from Silicon Valley."

(The Economic Times)

Narendra Modi Remains the Byword for Vibrant Gujarat Overseas by Rakesh Mohan Chaturvedi, 5 October 2016 .

GUJARAT has fallen back on Prime Minister Narendra Modi's popularity to lure big-ticket investors to the Vibrant Gujarat Summit 2017. Despite a spate of controversial events—from the Una incident against Dalits and the Patidar quota agitation to the change of chief minister— the general perception among companies and prospective investors abroad remains that Shri Modi has the final word on issues in his home state.

A person familiar with matters said, "They (foreign investors) feel left liberals and Modi detractors are behind the unsavoury events that took place in Gujarat recently." The state had sent 12 delegations to 23 countries and most of those who have returned are optimistic of the summit being a success.

Several Nobel laureates behind inventions that have enhanced technology or helped business have also been invited. "There is a lot of excitement about India and a belief that it is a happening place," said an official involved in the process. "Since Shri Modi is from the state, it gets a lot of traction on the international front. People abroad believe there is ease of doing business and good infrastructure. The experience of those who have invested has also helped as word of mouth publicity." Chief Minister Vijay Rupani has yet to come into his own and Brand Modi plays a large role in countering that.

"Delegations found there is little apprehension that Shri Modi is no longer chief minister. People feel he will not let the Gujarat administration go downhill as it is his home state. No politician ever let things go bad on his home turf," said the person mentioned earlier. January's Vibrant Gujarat is being pegged as an India centric event, with other states being invited to emphasize cooperative federalism and drastic reduction in corruption nationally. "It is a Davos in the making. You cannot afford not to be in India," was how one senior official put it.

Delegations also found Shri Modi's strong social media presence, which has sometimes been criticized back home, has actually helped people abroad understand his plans and initiatives better, thus building goodwill. The PM has engendered some enthusiasm among the Indian diaspora in countries such as the US, the UK, Australia, Canada, France, Japan, the Netherlands, Poland and Thailand and this is wooing investors. The goods and services tax set to roll in next year, the growing Indian market and increasing purchase power are also being mooted as attractions.

(*The Times of India*)

This Popular Backlash to Global Trade Threatens Mass Instability

by Andrew Sentance, 30 September 2016.

RECENT events have pushed the issue of international trade to the top of the economic agenda – not just here in the UK, but elsewhere in the world.

The Brexit vote in the EU referendum has called into question the trading relationship with our European trading partners and the UK's trade relationship with the rest of the world. We cannot freely negotiate new trade deals until we have sorted out a new economic relationship with our neighbours in Europe.

In the US presidential election, Donald Trump has been highly critical of the existing trade agreements between the United States and other countries. He blames these "bad trade deals" for a wholesale export of jobs which has undermined the incomes of US workers. This topic was one of the main themes of his first TV debate with Hillary Clinton.

Meanwhile, the World Trade Organization (WTO), which oversees the international trading system, is warning of the slowest growth of exports and imports since the global financial crisis. This is seen by many commentators as a worrying signal for global economic growth.

The UK economy relies very heavily on international trade. The total value of UK exports and imports totals over £1 trillion each year – nearly £40,000 per household. Yet the state of world trade is normally not high on our economic radar. The general public is much more concerned about more immediate issues – like jobs, inflation, interest rates and the standard of living.

One of the reasons that we have not had to worry much about trade is that countries have benefited for over 20 years from a very stable trade regime put in place in the first half of the 1990s. 1993 saw the formal launch of the European Single Market, freeing up trade within the EU. In 1994, the North American Free Trade Agreement (NAFTA) came into force – linking up Mexico and Canada with the massive US market. On 1 January 1995, the WTO came into being – a single body setting rules for trade worldwide, supporting the reduction of tariffs and other trade barriers. These three major agreements underpin current trade relationships and the world economy we live in today.

Economists believe that increased trade between countries is a "win-win". Consumers benefit from lower prices and better quality goods, due to increased competition; businesses benefit because they gain access to new markets.

And that is exactly how things panned out across the world economy from the mid-1990s onwards. Consumers in the West saw the cost of many goods falling – including computers and clothing. Producers in emerging market economies like China, India, Mexico and Eastern Europe saw strong economic growth on the back of new export opportunities. Their growth created new markets from businesses in Europe and the US, particularly in sectors where Western economies are strong – high-value manufacturing and services.

So if "everyone's a winner" from world trade – as Del Boy would put it – why are we now seeing a backlash against it? The *first* reason is the global financial crisis. The open trading system which produced a lot of economic benefit in the 1990s and 2000s allowed banks and other financial institutions to move money freely across borders. As a result, the excesses in the financial system which led to the crisis are closely associated in the public mind with world trade and have helped fuel opposition to big business and globalization.

The *second* reason is that globalization and the growth of world trade creates winners and losers. The winners tend to be those who have the skills and expertise to benefit from increased trading opportunities on world markets. The losers tend to be those who are unemployed, less skilled or have traditional skills which are quickly acquired by workers in lower-cost economies.

People who feel marginalized in the UK and US have added support for both Brexit and the Trump campaign. *Third*, a world economy where trade moves more freely is also one where people are moving around in search of better opportunities. The highly globalized economy which emerged from the 1990s onwards also saw much bigger flows of migration. In the EU, the movement of people was deliberately encouraged by the "four freedoms" – of goods, services, capital and labour. The need to control immigration featured strongly in the Brexit debate and in Trump's campaign.

How much should we worry about this backlash against open world trade? In my view, we should worry a lot. In the 1930s, trade protectionism deepened and added to the length of the global depression. After the global financial crisis we appeared to have avoided this dismal outcome, but there is a risk that protectionist pressures are now emerging in a different guise, supported by populist anti-globalization views.

The latest forecast from the WTO – showing the weakest world trade growth since the financial crisis – is a warning here. Already, we have seen a rise in petty protectionism around the world which may be slowing world trade. Major new trade initiatives between the EU, US and Asia are struggling to gather political support.

One view of freeing up trade worldwide is it like riding a bicycle. Unless you are moving forward you fall off. There is a risk that happens if the current round of trade negotiations falters and trade disputes start to escalate worldwide.

This is the trade environment into which Liam Fox and the other supporters of Brexit are pitching their desire to strike new trade deals. Though the British people voted for Brexit, this is not a good time to be seeking a fundamental renegotiation of trade relationships with our EU trade partners and the rest of the world.

Quite rightly, the new UK Department for International Trade wants to strike free trade deals with the rest of the world. But we are now in a world where the protectionist tide is rising. That will be bad for global growth. And it is also likely to be a serious headwind to the UK Government's plans for Brexit.

(http://www.telegraph.co.uk/)

Trade, Climate Change and Nuclear Weapons Key Issues for Whoever Wins White House by Wang Mengzhen, 9 September 2016.

THE US ambassador to China, Max Baucus, has named trade, climate change, and nuclear testing in the Korean Peninsula as top priorities for his country's newly-elected president.

As American voters cast their ballots yesterday, Mr. Baucus predicted the US and China would have a close relationship regardless of the results.

"No matter who is elected, the US and China will work more closely together and join hands to address bilateral trade, which is worth $600 billion. Also, both countries would work on the important climate change issue, and if possible, the North Korea nuclear issue," Mr. Baucus said.

When asked about the future of bilateral economic ties, the ambassador added that he hoped the BIT (bilateral investment treaty), essential to economic and trade ties, would be passed soon thanks to the hard work of negotiators on both sides.

(chinadaily.com.cn)

G20 : Trade Turmoil: $1.3 trillion at Stake in Brexit Breakup by Alanna Petroff, 30 August 2016.

BRITAIN is preparing to split from the European Union, a separation that will affect UK trade around the world.

As it stands, the UK exports and imports goods and services worth just over £1 trillion ($1.3 trillion) a year. So there's clearly a lot at stake.

Here's why Brexit will affect global trade, not just in Europe:

As an EU member, the UK trades freely with the other 27 EU countries. That two-way flow was worth £513 billion ($680 bn) last year, just over half the UK's total. A new EU-UK deal will now have to be struck.

But it doesn't end there. The EU manages preferential trade deals with nearly 60 other nations, including Switzerland and Turkey, on behalf of its members. The UK will have to seek new ties with those countries.

For the rest of the world — such as the US and China — the UK's trading relationship is based on global standards overseen by the World Trade Organization. The problem: The EU manages Britain's WTO membership.

WTO director general Roberto Azevedo, along with many others, has warned that it will not be a simple process.

"Key aspects of the EU's terms of trade could not simply be cut and pasted for the UK," he said, according to the text of a speech he made in June in London, ahead of Britain's EU referendum.

Trade won't stop if the UK exits the EU without having new deals in place, but it could slow and become more costly, potentially damaging British jobs and companies.

Mr. Azevedo says this could cost British exporters up to 5.6 billion pounds ($7.4 bn) each year in duty payments — and that's without taking into account the impact on trade in services.

People who campaigned for Brexit say Britain will gain from setting its own trade rules. But just how much access to European markets the UK can retain, and under what terms, will be critical.

The government was caught off guard by the Brexit vote on 23 June and is now trying to hire hundreds of trade negotiators by the end of the year to work on new deals.

It's also trying to build stronger ties with places like India and China. Trade with these two countries is comparatively small right now, worth just £72 billion last year.

The Institute for Fiscal Studies warned recently that even dramatic trade expansion with China over the next 15 years won't do enough to compensate for small losses to EU trade.

After the EU, the UK's most important relationship is with the US, which is the biggest single country for British exports, taking 20 per cent each year.

But ahead of the Brexit referendum, President Obama warned that a vote to leave the EU would put the UK at "the back of the queue" to negotiate a trade deal.

The EU is currently negotiating the Transatlantic Trade and Investment Partnership with the US Talks began in 2013, though opposition to a deal has been growing.

So when the UK leaves the EU (in 2019 at the earliest), it will have to reset all these relationships by renegotiating trade terms with the EU, the WTO and every other partner. This is likely to take several years.

(http://money.cnn.com/)

Brexit Trade Deals: The Gruelling Challenge of Taking Back Control

by Jennifer Rankin, 17 August 2016

BREXIT means Brexit is the slogan of Theresa May's new government, but more than a month after the seismic decision to leave the EU, no one knows what Brexit means. Only one thing is sure - unpicking Britain's membership will be a monumental task requiring years of arduous and painstaking negotiations.

"I just can't imagine a more complicated and more difficult issue to take forward," said Andrew Hood, a senior director at the Dechert law firm and a former legal adviser to David Cameron. "People at the heart of government were sitting down a week after the Brexit decision with an entirely blank sheet of paper."

The UK will have to negotiate no fewer than six deals to re-establish its place in the world after Brexit, according to Charles Grant of the Centre for European Reform thinktank. Negotiations will be far longer and more complicated than many British politicians realize, for reasons he set out in a recent paper.

One set of talks will cover Britain's EU divorce, *a second* the free-trade agreement with the union and *a third* will be needed to work out interim measures while the talks are being thrashed out. *Number four* on Grant's list is regaining full membership of the World Trade Organization, *five* is replacing the trade deals the UK enjoys as an EU member and *six* will be to sort out the UK's future ties with the EU on foreign, defence and security policy.

At the same time, the British government will have to work out how to keep the country united. Then there is resetting a swath of policies across sectors including science and research, farming and fisheries, environment and support for poorer regions – an agenda British officials expect will dominate every Queen's speech for a decade. The huge and complex will be managed by a civil service that has reached a post-War low in staff numbers against the backdrop of an economy teetering on the brink of recession.

The gruelling marathon of negotiations starts with Britain's EU exit, a process that will involve 27 other member countries and three union institutions: the European council, European commission and European parliament.

The UK will have to negotiate its divorce with the EU under the now famous Article 50. A spokesman for Ms. May reiterated that it would not be triggered before the end of the year, setting the clock ticking on a two-year deadline to conclude the exit talks. These discussions will be far from simple, throwing up knotty questions – for example, who pays the pensions of 2,700 current and retired British EU officials.

In parallel, the UK will start talks on a new trading relationship with the EU, a negotiation that the European council president, Donald Tusk, has speculated could take at least five years. Several Brussels insiders think this is over-optimistic, which is why many also expect an interim deal to ease the transition.

Next on the government's to-do list is re-establishing trading links with all major trading partners outside the EU. The UK will have to regain full membership of the WTO, and re-sign the 39 trade deals covering 65 countries negotiated by the EU.

Britain joined the WTO in 1995 under the umbrella of the EU, which represents its member states in international trade talks. Roberto Azevêdo, the WTO director general, warned in the run-up to the 23 June vote that "key aspects of the EU's terms of trade could not simply be cut and pasted for the UK". When asked about Brexit, a WTO official referred back to those remarks, where Mr. Azevêdo stressed "trade would continue [but] could be on worse terms". He also said British exporters could face £5.6bn in extra duties on goods they want to sell abroad.

In order to re-establish credentials in the WTO, the UK needs the approval of 164 members from Afghanistan to Zimbabwe. Most observers do not see this as an insurmountable hurdle, but some countries could use the opening to seek better trade terms or as leverage on something else. "The history of the WTO shows that things can move very slowly and other factors, beyond the intrinsic merits of whatever the trade deal is, can come into play," said Hannah White, the Brexit lead at the Institute for Government thinktank.

British trade negotiators will have to get into the mind-boggling arcana of WTO agreements governing tariffs and subsidies, known as schedules. One of the first questions is what happens to the EU schedules. The EU, for example, can import 58,000 tonnes of top-quality steak from South America under WTO rules, but no one knows how much of that share belongs to the UK. "There will be a three-way negotiation between us, the WTO and the EU," Ms. White said.

Meanwhile, officials from the newly created trade department will be jetting around the globe to keep British ties with the 65 countries that have a trade agreement with the EU.

Before the Brexit vote, leave campaigners assumed these deals would continue seamlessly. Trade arrangements with the rest of the world would remain "totally unchanged", the former chancellor Nigel Lawson said. But every single one could be reopened. In an ideal world countries would keep existing deals going, Mr. Hood said. "But will most countries want to do that? If I were in their shoes, I would be thinking hard about how I get the best deal for my country."

Brexiters have enthused about selling more to the US and China, but about two-thirds of British trade is done either with the EU or countries that have signed a trade deal with the bloc. The National Institute of Economic and Social Research, which has done the number-crunching, points out that no free trade agreement would be as good for the UK's crucial service sector as the EU single market. Tariffs and subsidies are important for buying and selling beef or bananas, and selling services abroad requires getting into the nitty-gritty of common regulations and professional standards.

The UK is legally barred from signing any trade agreements while it remains an EU member. Any would-be trading partners the UK woos will want to know what kind of access to the EU single market Britain will have before they sign. The US Trade Representative, Michael Froman, has played down hopes of a quick deal, noting it was "not possible to meaningfully advance" UK-US trade talks until some of the basic issues on the future EU-UK relationship had been worked out.

None of these trade talks can begin seriously until the government has worked out pressing domestic questions. Will British farmers be protected against cheaper competition with import tariffs? Is the government prepared to "mostly eliminate" manufacturing by opting for unfettered free trade, as the leading leave economist Patrick Minford has argued? Will the four nations and all the regions of the UK get behind the vision of turning Britain into a "buccaneering offshore low-tax nation" favoured by some leave campaigners? A month after the vote, these questions have barely been discussed.

While these policy debates rumble on, the UK is scrambling to create a trade department from scratch. The government aims to have 300 specialist staff in place by the end of the year, a spokeswoman said, but it is unclear how many will have had direct experience of trade negotiations.

Even 300 would not be enough. One former EU trade negotiator, Miriam González Durántez, estimated the UK would need at least 500 negotiators. The EU typically sends 20 commission negotiators to any round of trade talks, backed up by between 25 and 40 technical experts. The UK has 40 trade negotiators, compared with the 550-strong trade department in Brussels.

Keeping democratic oversight of years of painstaking, highly technical and politically charged negotiations with scores of countries will also be a mammoth task for Britain's elected representatives.

"Keeping parliament updated when negotiations are running on different tracks will be a really big challenge," Ms. White said. She wants to ensure any new parliamentary committees set up to scrutinize Brexit have "a clear role and route to influence government".

For now, parliament's means to hold the government to account over Brexit remain hazy. It is just one more of the many unanswered questions about what it really means to take back control.

(https://www.theguardian.com/)

Protecting Trade in Safe Food is a Global Concern by Sharon Mayl and Debbie Subera-Wiggin, *FDA Voice*, 11 May 2016.

PROTECTING consumers from contaminated foods is a global concern—as well as a key FDA priority. This was clear to us when we attended a World Trade Organization (WTO) conference in Geneva earlier this spring to provide outreach on FDA's new food safety regulations.

This was the 65th meeting of the WTO's Committee for Sanitary and Phytosanitary Measures (SPS), an important body that provides a forum for the discussion of food safety and animal and plant health issues that affect the international food trade. While enhancing free trade is WTO's focus, members understand the importance of facilitating trade in safe food products.

Working with the WTO Secretariat, the US Mission in Geneva and the Office of the United States Trade Representative, we shared information about the FDA Food Safety Modernization Act (FSMA) rules that aim to help ensure the safety of foods exported to the United States. It was exciting to look out at the audience and see public health and trade officials from more than 33 countries and international organizations seeking to learn more about the new food safety regulations.

The United States has been a member of the WTO, which has 162 member nations and observer organizations, since 1995. Under the auspices of this SPS Committee, US trade and regulatory agencies, including FDA, work with governments worldwide on trade issues related to food safety.

Their work includes ensuring that the regulations of each nation support the rights and obligations of WTO agreements.

FDA incorporates these obligations into our regulatory process, specifically to ensure that our regulations are risk- and science-based, are created through a transparent process, and are equitable to both domestic and foreign producers, while protecting public health. The WTO SPS Committee is an ideal international venue for sharing information on FDA's food safety rules.

Our job during this meeting was to share insights on three of the new FSMA rules — in particular, produce safety, foreign supplier verification programs, and accredited third-party certification.

We were very impressed by the interest that the countries' representatives had in these rules. More than 50 representatives even skipped their lunch to participate in the outreach session and many returned that evening, after the main session closed, to continue the discussion!

WTO members are interested in understanding and meeting the regulatory requirements in FSMA rules so that they can continue to ship safe products to the US. Several of the participants expressed their government's support for working cooperatively with us to strengthen food safety controls.

We left the outreach session with a better understanding that our trading partners are highly motivated to put mechanisms in place that will help their producers and manufacturers comply with the FSMA rules and contribute to robust trade partnerships.

(https://blogs.fda.gov/fdavoice/)

Don't Blame Trade for the World's Problems, IMF's Lagarde says

by Ken Moriyasu, ABIS 2016, 7 September 2016.

IT is a tough time to be pursuing economic integration. For the Association of Southeast Asian Nations, accelerating efforts to create a single market can feel like going against the grain, now that the UK has opted to leave the European Union and both US presidential candidates are opposing the Trans-Pacific Partnership.

Yet, Christine Lagarde, the managing director of the International Monetary Fund, insists the world needs more trade and joint infrastructure to overcome the inequality that plagues it.

"The world needs more growth," Ms. Lagarde said at the ASEAN Business and Investment Summit (ABIS) 2016 in Vientiane. She noted that 2016 will be yet another disappointing year for the global economy, with growth coming in lower than the pre-financial crisis average of 3.7 per cent.

"Growth," Ms. Lagarde said, "has been too low for too long," bringing benefits to "too few people." Trade, she stressed, is a vital part of the solution — not the culprit behind the world's problems. "Trade is the critical engine of growth."

Rather than sealing borders with protectionist measures, she suggested, education and safety nets hold the key to helping those who are most vulnerable to the forces of globalization.

Touching on the lessons of Brexit, Ms. Lagarde said the UK's insistence on staying outside of the eurozone was a major factor in the public's negative sentiment toward the EU. "If one feels outside, the seeds of disintegration will be there," she said.

To prevent the same scenario from playing out in the Association of Southeast Asian Nations, the Frenchwoman urged the bloc to build more roads, railways and broadband networks that span borders. "Having common infrastructure and common grids will bind and keep the countries together," she said.

Ms. Lagarde also said that as ASEAN states come together economically, they should strive to preserve individual cultures. "Each member has its own cuisine, music and dance," she said. "Cultures should not be eradicated."

(http://asia.nikkei.com/)

Animal Welfare Not on the Radar of Other Countries, by Nathan Coates, *ABC Rural*, 20 June 2016.

PROFESSOR Phillips said while animal welfare issues in Vietnam were big news in Australia, they are unlikely to be on the radar of most Vietnamese people.

"We've been looking at their culture and the people involved are much more focussed on making money," he said.

"They've been slaughtering cattle in this way for a long time. To them it's tradition and they don't see why they should stop."

Professor Phillips said Brazil, the world's second largest exporter of live cattle behind Australia, experienced animal welfare issues differently.

"In Australia, we have people who are prepared to expose animal welfare issues in destination markets," he said.

"They don't have that to the same extent in Brazil."

(http://www.abc.net.au/)

Should Internet Censorship Be Considered a Trade Issue?

by Bethany Allen-Ebrahimian, 12 April 2016.

THE idea that Chinese Internet controls harm foreign companies operating in China is not new. In 2016, an annual survey by the American Chamber of Commerce in China found that 79 per cent of US companies in China say they have been negatively affected by online restrictions; surveys from previous years yielded similar results. Internet blocks have proven costly to US companies already operating in China—*The New York Times* lost an estimated $3 million in the year after its website was blocked in China in 2012—and serve as a significant deterrent to foreign companies considering investing in operations there.

Yet the National Trade Estimate report from the United States Trade Representative (USTR) is the biggest move that the US government has taken towards recognizing that Chinese Internet censorship may constitute trade barriers that violate World Trade Organization (WTO) regulations. But while it's an interesting development, the report has no teeth. Only three sentences in the report address China's Internet restrictions, essentially labeling them a nuisance but doing little to lay the foundation for any future related case to be submitted to the WTO.

International Internet law and governance is still in the early stages of development. While the United States has championed an open and free Internet based on principles of free expression and universal values, China has framed Internet regulations as issues of national sovereignty and national security, arguing that each country has the right to determine what should or should not be allowed to pass its virtual Internet borders. The United States has worked to promote its vision for the Internet by incorporating its emphasis on free flow of information into several major free trade initiatives. The US-Korea Free Trade Agreement in 2011, for example, was the first to raise the issue of cross-border data transfers. The Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership, two sweeping trade agreements which would, if approved and enacted, aim to guide trade practices for the 21st century, also include provisions which discourage or prohibit restrictions on cross-border data transfers.

If, in the long term, USTR were to take further steps towards building a case that Chinese Internet restrictions constitute a trade barrier, and eventually file a WTO case against China challenging the restrictions, this could further bolster the US—though even if the WTO ruled in favour of the United States, Chinese compliance seems extremely unlikely.

But such a move could also have unforeseen consequences, depending on the specific language used to craft such a ruling or agreement. Currently, the legal line dividing acceptable from unacceptable Internet censorship in the realm of international standards is fuzzy. A ruling from the WTO, or some other type of multilateral agreement establishing international standard practices, would help define that line. And while that would provide protection for companies harmed by Internet restrictions deemed unacceptable, it could legitimize censorship that goes right up to that line without crossing it, thus granting official legal status to some censorship. From the perspective of those who wish to see the Internet remain a free and open international space, this would be at best a compromise.

(https://www.chinafile.com/)

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