

Fallout from U.S.' new trade policy

Why in news?

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The Trump administration recently released a document – **The President's 2017 Trade Policy Agenda**.

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What are the implications?

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- The most important is that the US would not be bound by WTO rules and rulings by WTO courts if these run counter to US interests.

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- Thus, if implemented, it would hit at the foundation of a rule-based multilateral trading system and may **potentially unleash a trade war** between nations if other countries also follow suit.

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- Items on the agenda include renegotiating/revising existing trade agreements like NAFTA and the US-Korea Free Trade Agreement apart from the Trans-Pacific Partnership (TPP).

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- Henceforth, US would prefer to negotiate bilateral trade deals, instead of multilateral or plurilateral ones.

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What is the logic behind this changed US position?

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The document emphasises unfair trade practices such as

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- Currency manipulation (China and Germany have been running huge

trade surpluses against the US that the Trump administration believes are largely the result of undervalued yen and euro);

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- Non-transparent legal and regulatory regimes (China);
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- Prevalence of 'dumping' (China, Japan, South Korea and India);
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- Hidden subsidies (explicit export subsidies are banned by WTO rules); and
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- Rampant violation of patents and copyrights (China).
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- In addition, it points out that liberalised trade with Mexico and Canada (under NAFTA), China (after its entry into WTO), and Korea (US-Korea FTA) has caused huge job losses, especially in the manufacturing sector.
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What would be the consequences?

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- Most analysts agree that it is not possible to bring back manufacturing jobs to the US to any significant extent by renegotiating trade agreements.
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- In most cases, it would not be cost effective.
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- Imposing high tariffs on imports would not be WTO-compatible, and would raise the cost to American consumers.
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- The other option is to automate; this would cost jobs.
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- A trade war with other countries would also mean loss of exports and jobs.
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- Abandoning of TPP and imposing tariffs on Chinese goods may push China to forge a mega trading bloc with Japan, South Korea, Asean, India and Australia, excluding the US.
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- China will project itself as the champion of free trade and the US as protectionist.
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- The mutual benefits of globalisation, though being increasingly questioned in the US and Europe, have not yet been lost in Asia and Australia.

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Source: Business Line

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