

Is Trump choking off free trade and decimating WTO?



AN OPEN DIALOGUE

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TWO recent trade pacts—one between the US and China, and the other among US, Mexico and Canada—have given the economists plenty of reasons to worry. Both of these treaties are meant to promote trade between the signatory countries and accelerate economic growth in each but they have two major flaws. First, they were negotiated under very “surreal” circumstances which I will explain in a moment. Second, the trade pacts have been drawn up to appease the current US administration and to bolster Trump’s election chances. Both pacts also deal a crippling blow to the notion of free trade and signal a further diminished role for World Trade Organization (WTO).

The trade negotiations between the US and its trading partners were being carried out in somewhat extraordinary or unconventional circumstances. US negotiators have an upper hand in both of these parleys because of the sheer economic, political, and military power that the US can, and sometimes does, bring to bear on the other parties. In the theory of international trade, the role of leverage or “force” is never explicitly fully factored in. As we all know, the gains from free trade are mostly discussed in the context of a small country, or trade agreements are conducted by parties of equal size. However, in the case of US-China trade talks, the former has been open about its ability to strike first and impose incrementally higher rates of tariffs on imports of Chinese goods and these could potentially harm Chinese manufacturing and technology sectors.

The just-concluded trade agreement among three big North American countries—the United States, Mexico, and Canada—will

now replace the North American Free Trade Agreement (NAFTA). As the name NAFTA implies, the trade agreement went into effect in 1994 and was designed to remove tariff barriers among the three countries. According to the International Monetary Fund (IMF), trade among the three NAFTA countries more than tripled between 1993 and 2007.

During his election campaign, President Trump promised to renegotiate it, and the new agreement to replace NAFTA will be named United States-Mexico-Canada Agreement (USMCA). In an announcement on its website, the office of the US Trade Representative (USTR), which is responsible for all trade negotiations with foreign countries, claims that USMCA will “support mutually beneficial trade leading to freer markets, fairer trade, and robust economic growth in North America.” However, in the very next paragraph, it does not hesitate to imply that some of the provisions will provide support for American jobs.

It is well-known that the intense bargaining leading up to the new treaty was weighted in favour of the US, the party with more clout. It focused largely on auto exports, steel and aluminium tariffs, and the dairy, egg and poultry markets. It gives the United States more access to Canada’s dairy market, imposes a quota for Canadian and Mexican automotive production, and increases the duty-free limit for Canadians who buy US goods online from USD 20 to USD 150.

The agreement also provides updated intellectual property protections in line with the promises made by President Trump during the last election campaign. One provision of USMCA “prevents any party from passing laws that restrict the cross-border flow of data.” Jim Balsillie, co-founder of Research In Motion (RIM), the company that created BlackBerry phones, was openly critical of the data and IP provisions of USMCA. In an op-ed in 2018 in the *Toronto Star*, he lambasted the Canadian policymakers and negotiators



The World Trade Organization (WTO) headquarters in Geneva, Switzerland.

towards the US.

US Senator Pat Toomey, a Republican, said that USMCA “is the only trade pact ever meant to diminish trade”, and labelled it “protectionist”. He was aghast that the US will pay Mexico up to USD 45 million a year to enforce Mexican labour laws, under the penalty of raised tariffs and embargoes. “I still believe that free trade is far better for my constituents than restrictive, managed trade, and hope USMCA’s protectionism doesn’t become the template for future trade agreements,” Toomey added.

The details of the Phase I agreement with China still remain under wraps. There is uncertainty about the actual provisions and the possible impact on individual products. The US cancelled a planned increase of tariffs on USD 156 billion of goods that it imports annually from China including smart phones,

toys and consumer electronics. In addition, the US will reduce tariffs by 50 percent on USD 120 billion of goods that were affected by increased tariffs on September 1. These will go down from 15 percent to 7.5 percent. However, US tariffs of 25 percent will remain on USD 250 billion of imports from China on diverse products including machinery, electronics, and furniture.

In return, China agreed to increase imports of American agricultural products by USD 32 billion over the next two years, and this could total USD 50 billion. Total imports from the US would be boosted by USD 200 billion during the same period.

In spite of these potential gains by its agriculture and manufacturing industries, diverse segments in the USA have voiced their concerns. Robert B Zoellick, former president of the World Bank and former USTR under George W Bush, has come out with a scathing

editorial in the *Wall Street Journal* against the US negotiating strategy.

The American farmers were hit hard by the trade war as China raised tariffs on imports of soybean and pork. However, the farm lobby has voiced scepticism about the end result of Phase I. “They need US pork, they need US soybeans. Do they need USD 50 billion of agricultural goods? Absolutely not,” according to Dave Marshall, a farm-marketing adviser with First Choice Commodities.

The bottom line is: “investors are still grappling with the winners and losers from trade policy shifts heading into 2020.” There is considerable uncertainty about the next steps in the US-China trade spat.

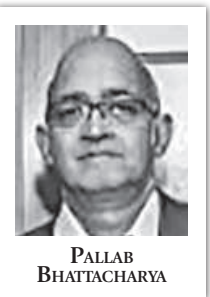
How do all these affect the WTO and its trade court? “President Trump drew concessions from Mexico and China last week while stripping the World Trade Organization of its powers to restrain the tactics he used to secure them, in a series of moves reshaping long-time US trade policy,” according to Jacob Schlesinger, a respected journalist of the WSJ Washington team. The US had blocked the appointment of new nominees to the WTO Appellate Body which no longer has the minimum of three judges required to issue decisions and enforce WTO rules.

In these uncertain times, for the smaller countries which are waiting to see the outcome of the realignment of the global trade map, and the future of unfettered trade, the moral of the story is not very encouraging. Powerful countries can challenge and rewrite the tenets of established practices. One powerful or whimsical ruler can redefine the rules of the game. It is good to be a small country as long as you can escape the wrath of the establishment ensconced in Washington. Who will the US target next? Germany? India? Or Bangladesh?

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BJP’s DEFEAT IN JHARKHAND

Jharkhand message may resonate across India



PALLAB BHATTACHARYA

SOME years ago, Bharatiya Janata Party (BJP) had boasted of a “Congress-mukt” Bharat. It was the result of the party’s victory in a series of assembly elections across India since Prime Minister Narendra Modi came to power for the first time more than five years ago. That was the time of unprecedented political ascendancy for the BJP in terms of winning elections. The party had earned a formidable reputation for possessing a seemingly unbeatable election-winning machine.

But politics, particularly electoral politics, could often be a highly unpredictable and slippery path. Came 2018, just a year before the last national election, and the BJP ended up losing power in three heartland states—Rajasthan, Madhya Pradesh and Chhattisgarh—in one go, after having ruled those states. However, overcoming those defeats, the BJP scored a spectacular triumph in the Lok Sabha polls in April-May this year, securing a greater majority than in 2014. One of the key factors in the BJP’s victory in national polls was its near-sweep in the same three heartland states just a few months after losing power there. Look at Jharkhand. Just seven months ago, the BJP won 11 of the 14 Lok Sabha seats. It is now out of power in the same state, once again underlining the dictum “politics thy name is frailty”.

Just seven months after winning the Lok Sabha election mandate, the BJP now finds itself out of power in Maharashtra, India’s richest state, in the west. It just about managed to rope in the support of a regional party to retain power in Haryana in the north, and was unseated in Jharkhand, one of

India’s most mineral-rich states, in the east. Senior Congress leader P Chidambaram said this about BJP after the Jharkhand poll result: “dented in Haryana, denied in Maharashtra and defeated in Jharkhand.” Many view this as Congress’ pushback at the “Congress-mukt Bharat” phrase.

The setback in Jharkhand means that half of the huge Hindi heartland has slipped out of BJP’s control. The party is now in power in two big states, Uttar Pradesh and Bihar, and the small states of Uttarakhand, Haryana and Himachal Pradesh in the Hindi-speaking belt. Will the narrative change when the Delhi assembly elections are held in February next year? The BJP surely faces an uphill task.

The BJP’s defeat in Jharkhand throws up two significant lessons besides the familiar one of anti-incumbency. First, the stability

provided by the party’s government under non-tribal Chief Minister Raghubar Das—which survived a full five-year term in a predominantly tribal state that had earned the notoriety of chief ministers changing quicker than seasons due to the quicksand of shifting political loyalty—did not cut ice with the electorate. Secondly, playing up the polarising narrative to cover up anti-incumbency and governance deficit may have run its course and is less likely to find traction among voters over a time. The results of Maharashtra, Haryana and Jharkhand assembly elections are likely to reinforce the view among anti-BJP forces that bread-and-butter issues can actually neutralise the impact of polarising planks, and that the BJP may not have succeeded in delinking politics from economics, as suggested by some analysts.



Congress-JMM-RJD alliance supporters celebrate in Ranchi, the capital of the Indian state of Jharkhand, after the results of the recent assembly polls were declared.

The BJP had begun the Jharkhand poll campaign on the development narrative but shifted almost midway to the sensitive issues of Citizenship Amendment Bill (CAB), National Register of Citizens (NRC), abrogation of the special status for Jammu and Kashmir and the Supreme Court order on the Ram temple in Ayodhya. The last two phases of the five-phased polling in Jharkhand were held in the midst of pan-India protests against the new citizenship act and NRC. The Jharkhand poll was also the first state-level electoral exercise after the apex court judgement on the Ayodhya issue. What is more interesting is that Jharkhand is a state with an overwhelmingly non-Muslim population. Most of India’s incidents of lynching of persons on suspicion of being cattle smugglers took place in Jharkhand.

By contrast, the opposition Jharkhand Mukti Morcha-Congress-Rashtriya Janata Dal alliance adopted the strategy of confining their plank to governance and state-specific issues to tap into people’s anger over bread-and-butter issues like economic slowdown, joblessness, agrarian distress and land ownership rights of tribals in Chhota Nagpur and Santhal Parganas areas of Jharkhand. The Raghubar Das government passing the Chhota Nagpur Tenancy and Santhal Parganas Tenancy laws to acquire land from tribals was used to the hilt by the opposition to paint the BJP as anti-tribal, and it led to a huge consolidation of tribal votes against the BJP. The recent election result reflected so tellingly the BJP’s alienation from tribals: the JMM and the Congress won 25 of the 28 assembly seats reserved for tribals. So strong was the anti-incumbency that Das himself lost the election in Jamshedpur East constituency to his senior BJP rebel Saryu Roy, and his party’s state unit chief and the assembly speaker also bit the dust.

Like post-election in Maharashtra, the Jharkhand result once again showed

the BJP’s inability to retain its allies. The squabble in Maharashtra saw the BJP’s oldest Hindutva ally, the Shiv Sena, parting ways and doing what was previously thought unthinkable: aligning with the Congress and the Nationalist Congress Party to form government. And a feud over seat-sharing in Jharkhand saw the BJP and its long-standing partner All Jharkhand Students Union (AJSU) breaking the alliance and contesting the poll separately. The BJP-AJSU break-up in Jharkhand cost both dearly, more the BJP which lost several seats by margins due to the split in votes with the AJSU. The loss of an important tribal and regional ally proved too powerful for the BJP to take on the JMM-Congress alliance. The Congress displayed its readiness to tie up with the JMM, the most dominant tribal party, as a junior alliance partner and benefitted from it. The AJSU has a sub-caste of Other Backward Caste Kurmis who have a significant presence in Jharkhand and their alienation also cost the BJP’s OBC support base.

The Jharkhand mandate is likely to have implications beyond the state’s borders. The snapping of ties between the BJP and the AJSU may have a compounding effect in adjacent Bihar where Janata Dal(U) is the BJP’s partner in the ruling coalition headed by Chief Minister Nitish Kumar, who is a Kurmi by caste. In Jharkhand, the Janata Dal(U) failed to win a single seat.

The Jharkhand poll outcome has endorsed 44-year-old Hemant Soren, the JMM’s Working President, as not only the inheritor of his father Shibu Soren’s legacy as the foremost tribal leader of the state but also expressly manifested the electorate’s backing for a tribal at the helm of the state’s affairs, rejecting the BJP’s gamble of propping up a non-tribal leader Raghubar Das as Chief Minister for the first time.

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ON THIS DAY
IN HISTORY

December 25
CHRISTMAS CELEBRATED
WORLDWIDE

Though the precise origin of the date is unclear, Christmas, commemorating the birth of Jesus Christ, is celebrated on this day, having been first identified as the date of Jesus’ birth by Sextus Julius Africanus in 221.

CROSSWORD BY THOMAS JOSEPH

ACROSS

1 Kremlin setting

7 Dixieland music

11 Stir up

12 Open space

13 Limit on government borrowing

15 Small error

16 Turn suddenly

18 Free of fat

21 Printed matter

22 Common greetings

24 Termite’s kin

25 Rent out

26 Symbol of wisdom

27 Hushed sound

29 Wharf

30 Go to sea

31 Sean Astin

movie

32 “Wake Up, Little—”

34 Organic woodland layer

40 Teller of tales

41 Refer

42 Swiss peaks

43 Took a breather

DOWN

1 Fuming

2 Smelter supply

3 Cry loudly

4 Veal serving

5 Film prize

6 Cry

7 White of “Family Matters”

8 “Exodus” hero

9 Buddhism branch

10 Turn sharply

14 Spot in the ocean

16 Earth’s neighbor

17 Superfluous

19 Vocally

20 “Forget it!”

21 Scot’s cap

22 That lady

23 Cunning

25 Doozies

28 Greedy ones

29 Suppresses

31 Biathlon need

33 Sirius or Polaris

34 Ga. neighbor

35 Engine need

36 Kanye’s music

37 Ump’s cry

38 Keats poem

39 Checkers side

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12-17

YESTERDAY’S ANSWERS

PARIS EXACT TOURS
PETER AURAL
BUT GRAZE
DEPUTIES BUT LED
EPIC CANAPE
PEEK MORAL
PESETA WINS
TAIL GATE
ABS IDOL
JAPAN COPAY
ABATE ABODE
RATED LETON

BEETLE BAILEY

by Mort Walker

I WISH I COULD BE THE HEADLESS HORSEMAN FOR HALLOWEEN.

BUT I DON'T HAVE A HORSE. AND I'M NOT HEADLESS.

SEE MY PROBLEM?

HOW ABOUT GOING AS THE BRAINLESS PEDESTRIAN?

BABY BLUES

by Kirkman & Scott

WHY DO YOU CARE WHO I GO OUT WITH?

YOU'RE LIKE A DAUGHTER TO ME

THEN CAN I HAVE A RAISE IN MY ALLOWANCE, DADDY, PLEEEASE?!