

Open House Discussion on Increasing Trade Protectionism: Way Forward for India

Saturday, 15th September 2018, at PHD Chamber, New Delhi

Foreign Trade and Investment Committee of PHD Chamber of Commerce and Industry has organized an Open House Discussion on Increasing Trade Protectionism: Way Forward for India, 15th September, 2018, at PHD Chamber, New Delhi. The aim of the open house discussion was to discuss the rising trade protectionism across the global economy and its possible impact on the Indian economy. The eminent speakers at the open house discussion were Shri Sanjay Chadha, Additional Secretary, Ministry of Commerce and Industry, Government of India, Dr. Ram Upendra Das, Head and Professor, Centre for Regional Trade, Ministry of Commerce and Industry, Government of India, Shri Rajeev Talwar, Sr. Vice President, PHD Chamber, Shri Sanjay Beswal, Co-Chairman, Foreign Trade and Investment Committee, PHD Chamber, Shri Saurabh Sanyal, Secretary General, PHD Chamber, and Dr. S P Sharma, Chief Economist, PHD Chamber.

Glimpse of the Open House Discussion on Increasing Trade Protectionism: Way Forward for India



Photo caption from left to right: Ms. Anangmanjari Hemrajani, Research Intern, PHD Research Bureau, Ms. Shivani Mehrotra, Research Associate, PHD Research Bureau, Ms. Bhawna Kakkar, Research Associate, PHD Research Bureau, Ms. Surbhi Sharma, Associate Economist, PHD Research Bureau, Delegate at the Open House Discussion, Shri Saurabh Sanyal, Secretary General, PHD Chamber, Dr. Ram Upendra Das, Head and Professor, Centre for Regional Trade, Ministry of Commerce & Industry, Govt. of India, Shri Rajeev Talwar, Sr. Vice President, PHD Chamber, Shri Sanjay Chadha, Additional Secretary, Ministry of Commerce & Industry, Govt. of India, Shri Surinder Klara, Member, PHD Chamber, Shri Sanjay Beswal, Co-Chairman, Foreign Trade and Investment Committee, PHD Chamber, Dr. S P Sharma, Chief Economist, PHD Chamber, Delegate at the Open House Discussion, PHD Chamber and Ms. Kritika Bhasin, Research Associate, PHD Research Bureau.

Shri Rajeev Talwar, Sr. Vice President, PHD Chamber expressed his views on strengthening coordination between industry stakeholders, Government and intellectuals and posed a question to the speakers that is there a new India being made or not. He said that we have immense talent in India, and so much intellectual talent is around us but the problem is that there is a serious need for the government, intellectuals and businesses to go on a regular intellectual interface. He said that presently there is an outreach movement going on

within the government, it is necessary that brainstorming sessions should be promoted at large and boost some serious dialogues where all the leaders come together to deliberate for the growth and development of our economy. He also mentioned that there is much more coordination required between industries, academics and the government for achieving effective outcomes. He also requested the eminent speakers to visit the chamber frequently so that there is continuous interaction on various sector of the economy. He urged all the industry stakeholders to work together for setting new India in making.

Shri Sanjay Chadha, Additional Secretary, Ministry of Commerce & Industry, Government of India stated that before the year 1860, only trade protectionism prevailed i.e., our world strived towards it. However, with the formation of General Agreement on Tariffs and Trade (GATT), it was the U.S. pushed for the multilateral system. In January 2018, President Mr. Trump decided to fulfill his election promise and came out with a list of products on which tariffs were to be imposed (specifically steel and aluminum). China retaliated and came out with a list of just 128 lines out of which only 8 lines had a 25% tariff while the rest had a rate of 10%. China retaliated strongly and came out with a second list of 106 lines (especially soya) in the month of July 2018. The third set of list had 120 lines while the fourth had 255 (in the month of August 2018). Furthermore, other lines were also revealed and the total came out to be 703 lines of which 309 lines catered to products where U.S. exports to China were near zero. Also, a set of 202 lines had imports from the U.S. as less than ten million. There were only 200 lines where exports from the U.S. to China were substantial. An analysis of these lines shows that the overall production and consumption has remained the same while only the prices have changed their course. Also, by comparing the results of the first quarter of 2018 with that of 2017, it can be seen that the trade gap between the two countries has actually widened. Therefore, he said that unless you are competitive in manufacturing, tariffs are not going to help. He mentioned that we need to look at our factors of production in order to make our manufacturing competitive.

Dr. Ram Upendra Das, Head and Professor, Centre for Regional Trade, Ministry of Commerce & Industry, Government of India said that trade protectionism is nothing but a reflection of disequilibrium in the thought processes of various nations across the world. He was of the view that there might be good reasons for the disruptions because through such disruptions it is important that we take corrective measures in a manner that the disruptions actually take us to a higher equilibrium. He said that it is important to understand the ripple effects of the U.S. move to protecting its domestic industry in the name of employment. According to him, if U.S. blocks imports from China of critical inputs like steel and aluminum then the obvious implication is that the steel and aluminum sectors in China will face problems. Since the two inputs go into making products within China as well which are actually manufactured by importing raw materials from South East Asian economies like ASEAN, Japan, Korea, etc then their demand for such materials will also go down implying lower level of economic activity in the region. As a result, demand by these economies for U.S. products will also go down in turn. Therefore, what began as protecting jobs in the U.S. by way of raising tariffs on China and other countries, will lead to lower demand for U.S.

products to the rest of the world. This would mean harmful effects for the U.S. domestic economy. Further, because of U.S. tariffs there have already been layoffs in the country. He mentioned that it is our duty to make multilateral rule work by strengthening the multilateral rule system since it is capable of handling such unilateral actions and signing of more Free Trade Agreements between the countries.

Shri Sanjay Beswal, Co-Chairman, Foreign Trade and Investment Committee, PHD Chamber, mentioned that just when the Indian economy had started looking up in terms of the growth rate and when the effects of demonetization and GST implementation were starting to subside, the U.S. started with trade protectionism. He said that President Mr. Trump has his own visions at home where he has promised during the elections regarding the “America first” policy and so, he has to do it. Accordingly, the U.S. started off with imposing tariffs on steel & aluminum from all the countries. He stated that wars are easier to start but difficult to contain and in the past also, countries have been engaging in protectionism leading to trade wars. According to him, there are will be imbalances in the supply and demand mechanisms and how this will impact the companies in our country is something we all need to look at. He said that shortages will lead to price rise and the rupee is already going down with the stock markets reacting time and again. He further stated that the sentiment will affect foreign investment flows too. There may be short term benefits towards adopting trade protectionism but it is important for all of us to deliberate on the long term effects of trade protectionism.

Shri Saurabh Sanyal, Secretary General, PHD Chamber stated that trade Protectionist policies have been implemented by many countries across the world despite the fact that the world economy generally benefits from free trade in the form of higher economic growth. Further, the on-going trade tensions between the U.S. and China have assumed critical importance, considering the fact that these two are amongst the major dominant economies of our world and holds critical significance on developing economies like India. Accordingly, he said that India cannot have different attitude towards the U.S. as well as China since 80% of our MSME's source their raw material from China as well as the U.S. Therefore, we have to strike a balance between both the nations.

Dr S P Sharma, Chief Economist, PHD Chamber mentioned that currently the PHD Research Bureau is also conducting an analysis to know how China is capturing the world markets. He said that China's share in U.S. imports was at around 9% in 2001 which is now 22% in 2017 implying that China has increased its share in U.S total imports % and in Germany from 3% to 10% in the last 17 years. China increased its share in Japan's total imports from 16% to 25%, in U.K from 5% to around 10%, in France from 3.28% to around 10%, in Netherlands from 4% to 18%, in Korea from 8% to 20% and lastly in Italy from 2% to 6% during the same period. These are the top 10 world importers where China has increased its significance in a bigger way. From all these 9 major importers (these are 9 because China itself is a biggest importer), at a scale of 900, China's share was 94% which increased to 165%. This is the preliminary analysis that we have done and hope to come out with more details soon.

Glimpses of the Open House Discussion on Increasing Trade Protectionism: Way Forward for India



From left to right: Dr. Ram Upendra Das, Head and Professor, Centre for Regional Trade, Shri Rajeev Talwar, Sr. Vice President, PHD Chamber and Shri Sanjay Chadha, Additional Secretary, Ministry of Commerce, Govt of India



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Participants at Open House Discussion on Increasing Trade Protectionism: Way Forward for India

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Warm regards,

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