

The WTO era is unravelling

India needs to consider a more strategic trade policy

The trade war that would never happen officially began last week. The US imposed a 25% tariff on \$34 billion worth of Chinese imports. Beijing retaliated in a similar manner. Going by the language of US President Donald Trump and his Chinese counterpart Xi Jinping,

a few more escalatory rounds seem more likely than not. Neither side is

wholly in the right. The US rightly argues that China has taken the international trading system for a ride through hidden subsidies, currency manipulation and, more recently, technology theft. India's own experiences with the Great Wall of Chinese non-tariff trade barriers bear testimony to this fact. China, however, is right to say that the US trade deficit is fundamentally a consequence of the chronic savings-investment gap of the American economy. Mr Trump has chosen to wage a trade war without fully understanding the nature of global trade. By choosing to fire his tariff cannons against almost every other major economy including India, he has ensured China's many trading misdeeds will be obscured by the fog of economic war.

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At one level, India should welcome China's being called out for its predatory trade and investment policies. At another, it has reason to be worried at the economic fallout if the US-China trade war escalates. Already this is causing a flight to safety by capital, reducing investment flows into India. A trade war would slowdown global growth overall, worsening India's already dismal export numbers. It could also result in other countries raising protectionist barriers. India, with its weak network of trade arrangements, would suffer more than most.

India is hardly in a position to give lectures to either the United States or China. A World Trade Organisation report this month declared India had imposed more trade restrictive actions than any other G-20 country in recent months. New Delhi needs to consider a more strategic trade policy in the backdrop of the slow unravelling of the WTO-based trading regime. This means being more aggressive on free trade agreements to guarantee future market access.