

Rethinking protectionism

U.S. President Donald Trump. | Photo Credit: [AP](#)

Beneath the bluster in U.S. President Donald Trump's talk on trade, there seems to be a realisation of the risks to his globally disruptive agenda. Mr. Trump, who has routinely decried several global arrangements as adversarial and zero-sum, explained at the recent Davos World Economic Forum that "America first does not mean America alone." This could pave the way for a more realistic appraisal of the world, by an administration somewhat isolated in the global arena.

The import of that remark became clear when Mr. Trump declared that he was open to revisiting the Trans-Pacific Partnership that he had pulled out of last year. Overcoming differences, the remaining 11 nations of that original grouping will adopt in March 2018 the renamed Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Echoing Mr. Trump's new thinking are also talks on the North American Free Trade Agreement (NAFTA). Negotiations are now dominated by details over whether Canada and Mexico could be arm-twisted to allow a large proportion of U.S. components in the manufacture of cars. This is a far cry from the warnings of a 35% border tax on American firms that built factories overseas and sold goods back home. With elections looming in all three countries this year, a new NAFTA could be deferred until after the polls.

The ultimate test of the protectionist campaign is the action that Mr. Trump has initiated on China. He has threatened Beijing with 45% punitive tariffs in retaliation against a huge trade surplus. Beijing already views as unfair Washington's 7% anti-dumping duty on imports that should have expired in 2016.

In November, the Commerce Department launched two separate probes: one into illegal aluminium subsidies and into anti-dumping of Chinese aluminium exports. Another relates to Beijing's so-called intellectual property theft. The investigation ordered last April into the effects of steel imports on U.S. national security falls into a category of its own. Overruling his Commerce Secretary Wilbur Ross, Mr. Trump launched the probe despite Beijing's offer to cut excess capacity by 150 million tonnes by 2022. The President is expected to act on its findings, completed in January, within the next three months. A decision is unlikely to result in blanket punitive tariffs, which may be more hurtful to imports from the European Union and Canada than China. To alienate allies across the Atlantic would not seem strategic for a President eager to capitalise on Europe's opposition to Beijing's perceived unfair trade practices.

Protectionism, however, could be self-limiting in one sense. In January, the U.S., slapped safeguard tariffs on imports of solar cells and domestic washing machines, yet soon the solar energy industry body started voicing concern over cost competitiveness and job losses in a new and otherwise successful sector of the U.S. economy. That, combined with South Korea's World Trade Organisation challenge over safeguard tariffs, points to looming confrontation on Mr. Trump's combative trade stance.

Receive the best of The Hindu delivered to your inbox everyday!

Please enter a valid email address.

Marriage is a civil contract — adultery or divorce should have only civil consequences

END

crackIAS.com