

Can India hold its ground at the 'quad' summit?

On Friday, 21 leaders of the Asia-Pacific Economic Cooperation (APEC) bloc will congregate for their annual summit in Da Nang, Vietnam. Since its inception in 1989, APEC has made halting progress towards Pacific-wide trade liberalization. Free trade guru C. Fred Bergsten of the Washington-based Peterson Institute for International Economics is credited for advocating a free trade agreement of Asia-Pacific, with the US as the main driver. Bergsten's famous "Bicycle Theory" of trade liberalization, which calls for uninterrupted trade liberalization to hold back a "protectionist slide" and "restrictive" pressures, became the soul of the Washington Consensus.

Surely, Bergsten would be aghast to read about what his country's elected president is going to say on US trade priorities right now. President Donald Trump is going to harangue his counterparts from the other 20 APEC countries about "a new US strategy to engage with Asia", says *The Financial Times* of 6 November. The "strategy he will unveil in Da Nang on Friday hinges on developing stronger bilateral trade and investment ties with like-minded regional allies" like Japan, India, and Australia. Such a strategy is going to be reverse-bicycle theory. One country will dictate what it wants in trade and investments in the Asian region while the other three will meekly follow.

The new "quadrilateral" grouping or "quad" aims to contain a rising China and its "predatory" economic and trade policies. In a way, the "quad" will be Washington's new "pivot" in Asia for a new trade cold war. "We have trade deficits with China that are through the roof" and "they're so big and so bad that it's embarrassing saying what the number is," Trump told reporters last week before heading to Asia for his first visit.

The mantra about the US's trade deficits with other countries is chanted almost on a daily basis by Trump and his trade representative, ambassador Robert Lighthizer. India's commerce minister Suresh Prabhu was told by top US trade and commerce officials that the US's trade deficit of \$27 billion with India remains a cause for concern. India was asked to open up its market—from agricultural products to pharmaceuticals—to restore the balance.

Against this backdrop, when Prime Minister Narendra Modi goes to meet Trump during the first "quad" meeting in the Philippines next week, it remains moot as to what they will agree on. Will the four—the US, Japan, India, and Australia—launch investment initiatives of hundreds of billions of dollars like the One Belt One Road initiative of China, which is already making progress? Are the four ready to undertake investment projects in Asia on easy and attractive terms to beat the Chinese investment initiatives? What effect will the quad's investment initiatives/policies have on their trade policies? Will Japan, India and Australia succumb to American pressures for opening markets selectively in areas for American products—from poultry to pharmaceuticals and from F-16s to the latest destructive arms and weapons?

These are some questions that ought to be addressed before embracing the quad's trade and investment initiatives on an irrationally exuberant basis. "The problem for Mr Trump is that even as he tries to embrace his allies in what his White House has taken to calling the 'Indo-Pacific', in pursuit of the bilateral trade deals he has declared to be his preference, the US is already being written out of the script," writes Shawn Donnan in an oped titled *Globalization Marches on Without Trump* in *The Financial Times* on 6 November.

It is interesting that even before the quad came into existence, Trump accused Japan on 6 November of "engaging in unfair trade practices". "We want fair and open trade. But right now, our trade with Japan is not fair and it's not open. The US has suffered massive trade deficits with Japan for many, many years."

Coming to India's plunge into such a framework, it is important to take into consideration how the three—the US, Japan, and Australia—are going to treat India which is not an equal trade partner and which has hitherto insisted on “developmental” trade policies. India's multilateral trade positions on agriculture, industrial goods, and services, among others during the current Doha round of trade negotiations remain an anathema to the US, Japan, and Australia.

In agriculture, for example, India wants an easy and effective permanent solution for public stockholding programmes for food security at the upcoming World Trade ministerial meeting in Buenos Aires. But two countries—the US and Australia—are insisting that India must undertake onerous/burdensome commitments. The US and Australia want India to undertake commitments to ensure that stocks procured for public stockholding programmes “do not distort trade or adversely affect the food security of other members” and that “no direct export from the (public stockholding) stocks shall occur upon the release of products from the stocks nor any release of products from the stocks shall occur on the condition that they are exported.”

Significantly, for countering the US-Australia offensive against a permanent solution for public stockholding programmes, India and other members of the G33 developing countries' coalition led by Indonesia are waging a grim battle with their backs to the wall. Also, India and China are calling for the elimination of most trade-distorting farm subsidies provided by the US and Japan, among others.

On electronic commerce, the US, Australia and Japan among others want India to agree to negotiations to eliminate barriers on data flows without localization requirements, a permanent moratorium on imposing customs duties on electronic transmissions, and non-disclosure of source code, cloud computing and so on. Clearly, the trade agenda pursued by the three—the US, Australia and Japan—does not match India's bread and butter interests.

In short, will Prime Minister Modi turn a deaf ear to what his negotiators are fighting for to safeguard the interests of over 400 million poor farmers just because he has to be an active member of the quad? Will a policy of running with the hare and hunting with the hounds serve India's core trade interests?

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