

America's new Trade Policy agenda 2017

Why in news?

 $n\n$

America had released a new Trade Policy Agenda 2017, which sets to identify and crack down on such trade partners with whom the US runs a big trade deficit, and force them to shrink it.

 $n\n$

What is a trade deficit?

 $n\n$

\n

• Trade deficit is the excess of a country's import bill over its export receipts.

\n

 e.g The US trade deficit of \$502 billion in 2016 means that the country spent \$502 billion more on importing goods and services from other countries last year, than it earned by exporting.

 $n\n$

\n

US Trade Deficit with other countries
\n

 $n\n$

\n

1. China - \$300 billion

2. Germany - \$68 billion

3. Mexico - \$62 billion.

4. India - \$30 billion.

 $n\n$

\n

- The US is hoping that by imposing high import tariffs on trade partners who run a large deficit with it, it can force global manufacturing giants to relocate their factories back to its shores.
- By putting pressures on countries such as China and India to dismantle their import barriers, it can also access new markets for American goods and services thereby reducing its trade deficit.

 $n\n$

What is the trade deficit for India?

 $n\n$

\n

- India runs a trade deficit, with its import bill on crude oil, precious metals, electronic goods and other items, far exceeding its export earnings.
- In April to December 2016, India's trade deficit was \$76 billion.
- Just like the US, India too is keen to shrink its trade deficit, especially the one with China.

\n

 $n\n$

Why is trade deficit important?

 $n\n$

\n

• Running a persistent trade deficit has following adverse effects on the economy.

\n

• The country's demand for dollars (foreign exchange) will be greater than the supply. This leads to steadily weakening home currency i.e depreciation.

۱n

- It forces a country to constantly look to foreign investors to make up the gap between its export earnings and its import payouts.
- It could be an indication that domestically produced goods are unable to compete against imports. If local factories shut down, that leads to job losses.

\n

What is the effect of US agenda on India?

 $n\n$

\n

- \bullet US is one of the few countries with which India runs a trade surplus.
- \bullet A reversal of this trade balance could trouble the exchange rate. $\ensuremath{^{\backslash n}}$
- \bullet India's exporting and importing sectors will face new hurdles. $\mbox{\ensuremath{^{\text{h}}}}$
- The Indian software professionals in US are already on the verge of getting expelled from US due to the recent H1B visa issue.
- Exporters of agri-commodities, textiles and apparel are soon likely take a hit.

 $n\n$

 $n\n$

Source: Business Line

 $n\n$

\n

