

NO ZERO-SUM GAMES: ON INDIA-U.S. TRADE HOSTILITIES

Relevant for: International Relations | Topic: India - USA

There are alarm bells in India over a possible decision by the U.S. Trade Representative to withdraw the Generalised System of Preferences status. Under this, India is able to export about 2,000 product lines to the U.S. under zero tariff. The revocation of the GSP, which was first extended to India in 1976 as part of a global concession by the U.S. to help developing countries build their economies, will be a blow to Indian exporters, and the biggest in a series of measures taken by the Trump administration against India to reduce its trade deficit. President Donald Trump's case on what he calls "unequal tariffs" from India rests on the trade relationship in favour of India: Indian exports to the U.S. in 2017-18 stood at \$47.9 billion, while imports were \$26.7 billion. The measures are in line with Mr. Trump's campaign promises. On the matter of Harley-Davidson motorcycles, he spoke directly to Prime Minister Narendra Modi on at least three occasions, demanding that India zero out tariffs to match U.S. rates on Indian motorcycles. In March 2018, the U.S. began imposing tariffs on several Indian products, and in April, the USTR began a review of India's GSP status, based on complaints of trade barriers from India it had received from the dairy industry and manufacturers of medical devices. In November the U.S. withdrew GSP status on at least 50 Indian products.

In retaliation, India proposed tariffs of about \$235 million on 29 American goods, but has put off implementing these five times in the past year in the hope that a negotiated trade settlement will come through. The latest deadline expires on March 1. India has also attempted to address the trade deficit with purchase of American oil, energy and aircraft. There have been dozens of rounds of talks between officials over the past few months, but no breakthrough. U.S. officials say the decision on data localisation for all companies operating in India, and the more recent tightening norms for FDI in e-commerce have aggravated the situation. Both sides should work towards calling a halt to trade hostilities and speed up efforts for a comprehensive trade "package", rather than try to match each concern product by product. The U.S. must realise that India is heading into elections, and offer more flexibility in the next few months. India must keep in mind that the larger, global picture is about U.S.-China trade issues, and if a trade deal with the U.S. is reached, India could be the biggest beneficiary of business deals lost by China. The visit of U.S. Commerce Secretary Wilbur Ross to India this week will be watched not as much for substance, as for signals that New Delhi and Washington understand the urgency in breaking the deadlock.

The Meghalaya government must urgently ensure that all illegal mines are shut down

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