

TOWARDS A FREE TRADE AGREEMENT: ON INDIA-U.S. TIES

Relevant for: International Relations | Topic: India - USA

Trade turmoil has been putting at risk the U.S.'s strategic partnership with India. In the last two months, the [U.S. has withdrawn from India preferential tariff benefits under its Generalized System of Preferences](#) (GSP) programme, and [India has imposed retaliatory tariffs](#) in response to tariffs that the U.S. applied last year on steel and aluminium.

Conflict and disputes are not new to the U.S.-India relationship. They have ranged from trade in jute and almonds in the period of the General Agreement on Tariffs and Trade to poultry and solar panels under the World Trade Organization (WTO). But this moment is different because the conflict may run deeper with more serious implications. If the two fail to relieve the building tension, a tit-for-tat trade war mimicking that between the U.S. and China may follow. The U.S. is India's single most important export market; India is a huge and growing market for U.S. investment and exports. An escalating series of retaliation and counter-retaliation could undermine efforts to advance what might be the most consequential bilateral relationship in the 21st century.

On the positive side, a serious effort by both to solve some trade problems could even lead to a new and exciting set of opportunities. But this will require moving from effective management of current tensions to thinking big for the future. Assuming the two sides can come together to resolve outstanding issues such as the GSP, U.S. tariffs on steel and aluminium and India's retaliatory tariffs, and differences on e-commerce, they can set the stage for building a trade relationship that better complements the strategic one.

Gloves off on trade: on India-U.S. tariff row

A starting point would be to empower the Office of the U.S. Trade Representative and the Ministry of Commerce and Industry to develop some problem-solving cooperative efforts under the existing Trade Policy Forum on issues such as digital trade, regulatory coherence, and intellectual property rights, matching their earlier successes on the WTO Trade Facilitation Agreement.

This future work would be better advanced if India created a new career trade staff that reports directly to the Prime Minister's Office. The U.S. administration has experienced trade staff, even at senior levels, who build negotiating skills over their careers and relationships of rapport and trust with their foreign counterparts. India could better serve its trade interests with the same kind of approach. This is a scenario that could evolve into a new relationship of common purpose on trade. Trade disputes will continue to crop up, as they do even in the healthiest of relationships, but these would be best pursued through the WTO.

However, even this scenario is a limited one; the U.S.-India strategic partnership deserves higher aspirations on trade. The goal should be a more comprehensive platform for expanding trade and investment through the progressive elimination of trade and investment barriers, from protectionist regulatory measures to tariffs and restrictions on trade in services. This might even lead some day to the negotiation of a free trade agreement, which is the ultimate example of economic integration in a trade relationship.

Neither country has been particularly successful at negotiating free trade agreements compared

to others around the world — the EU just concluded one with Vietnam. Each has a strong but messy democracy with many voices against free trade agreements. Each is a tough negotiator with a passionate commitment to its national interests. But both can dream big together and trade should be central to those dreams.

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The Trump administration's successive punitive actions against Iran can only be interpreted as a desire for direct conflict

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