

WITH POLLS ROUND THE CORNER, A NEW TRADE DEAL WITH THE US IS UNLIKELY

Relevant for: International Relations | Topic: World Trade, WTO and issues involved

India had adequate warning that the United States (US) could terminate important trade preferences to the country. The two countries haven't engaged in a trade war (yet), but there have been several skirmishes, and it has always been clear that President Donald Trump is a hawk when it comes to trade (as indeed, many of today's strong-minded and domestically-focused leaders are). What is the benefit of the generalised system of preferences (GSP), which Mr Trump, in a letter to Congress on Monday said he intended to terminate for India and Turkey after a 60-day notice period? GSP allows duty-free imports of around 2,000 products, including textiles and auto parts. India is the biggest beneficiary of the programme and according to US government data, in 2017, \$5.7 billion of India's exports were under this preferential system.

In his letter to Congress, Mr Trump said the Indian government "has not assured the United States that it will provide equitable and reasonable access to the markets of India". Commerce secretary Anup Wadhawan told Reuters the move would not have much of an impact and added that India and the US have been trying to work out a trade deal. Mr Wadhawan is right in terms of arithmetic — in 2017, India's exports to the US that came under GSP accounted for 1.9% of the country's overall exports.

It is also not clear whether the two countries will be able to address the two trade-related issues (and, in the background, an investment-related one) that prompted the US action. American dairy and medical devices companies have complained to their government about India not giving them access (in the case of the first) and capping prices (in the case of the second). India is unlikely to change its position on either. Cows in the US are fed a diet that includes animal products and New Delhi is of the opinion that US dairy products are therefore "non-vegetarian". In the case of medical devices, the two countries seemed to have hammered out a deal with New Delhi agreeing to cap margins, and not prices, but clearly, medical devices manufacturers in the US aren't entirely happy with this.

On the investment front, India's recent rules on e-commerce have inconvenienced Walmart and Amazon, both US companies, and which run India's top two e-commerce market places. The change was made to placate India's small retailers.

With elections around the corner in India, it is unlikely that the government will have too much interest in hammering out a trade deal with the US — especially since the messaging from such a deal could hurt it politically — before the 50-day window, after which Mr Trump can end India's preferential treatment.

This could perhaps be a task for the new government once it takes office in late May.

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