

# TRADE AND CLIMATE, THE PIVOT FOR INDIA-U.S. TIES

Relevant for: International Relations | Topic: India - USA

When the history of the 21st century is written, India and the United States and the strategic alliance they forge should play starring roles. Granted, it is far too early to predict how successful their joint efforts will be in creating a free and open Indo-Pacific — one that advances democratic values and confronts autocracies globally and locally. As 2021 closes, with COVID-19 still a present danger and China, the emerging superpower on the global stage, viewed by both as a strategic competitor, India and the U.S. have a long way to go before they can inspire confidence that this blossoming alliance will endure for the long term.

We believe that the fate of the grand strategic ambitions of the relationship may in fact depend substantially on how well they collaborate in two areas to which their joint attention is only belatedly turning — climate and trade. The first presents an existential threat while the second is too often dismissed as a secondary consideration, even dispensable in the name of pursuing larger strategic interests. Such thinking ignores the lessons of history: strategic partnerships capable of re-shaping the international global order cannot be based simply on a negative agenda. Shared concerns about China provide the U.S.-India partnership a much-needed impetus to overcome the awkward efforts for deeper collaboration that have characterised the past few decades. What risks being lost is a reckoning with how interrelated climate and trade are to securing U.S.-India leadership globally, and how their strategic efforts can flounder without sincere commitment to a robust bilateral agenda on both fronts.

There has been progress. The U.S. Special Presidential Envoy for Climate, John Kerry, has visited India twice already, and India and the U.S. are collaborating under the Climate and Clean Energy Agenda Partnership. In parallel, there are hopeful signs that they are now prioritising the bilateral trade relationship by rechartering the Trade Policy Forum. Both countries are also taking leading roles, articulating their climate concerns and commitments. However, early signs suggest we might be headed for a replay of previous showdowns at COP26 in Glasgow: while India just announced a net zero goal for 2070 — a welcome development even if well after catastrophic climate scenarios may be baked in — it has called for western countries to commit to negative emissions targets. India's rhetoric of climate justice is likely to be received poorly by U.S. negotiators, particularly if it aligns with China's messaging and obstructs efforts to reach concrete results. Likewise, the failure of the U.S. and India to articulate a shared vision for a comprehensive trade relationship raises doubts about how serious they are when each spends more time and effort negotiating with other trading partners. Protectionist tendencies infect the politics of both countries these days, and, with a contentious U.S. mid-term election a year away, the political window for achieving problem-solving outcomes and setting a vision on trade for the future is closing fast.

Climate and trade are interrelated in many ways, from commercial dissemination of cutting-edge carbon mitigation and adaptation products and technologies to the carbon emissions that come with the transport of goods and humans from one country to another. If governments, such as India and the U.S., coordinate policies to incentivise sharing of climate-related technologies and align approaches for reducing emissions associated with trade, the climate-trade inter-relationship can be a net positive one.

For example, India and the U.S. could find opportunities to align their climate and trade approaches better, starting with a resolution of their disputes in the World Trade Organization (WTO) on solar panels. As they have dithered in pursuing cases in the WTO and settling them, China has effectively captured the global market, leaving each dependent on a source they view

as a threat. The two countries could also chart a path that allows trade to flow for transitional energy sources, such as fuel ethanol. India currently bans imports of fuel ethanol even as it seeks to ramp up its own ethanol blend mandates and build a domestic sector that can join the U.S. and Brazil in exporting to the world. Left unaddressed, this will be another missed opportunity for the two economies to work to mutual benefit.

Shared strategic interests will be undermined if India and the U.S. cannot jointly map coordinated policies on climate and trade. The most immediate threat could be the possibility of new climate and trade tensions were India to insist that technology is transferred in ways that undermine incentives for innovation in both countries or if the U.S. decides that imports from India be subject to increased tariffs in the form of carbon border adjustment mechanisms or “CBAMs”. Climate-inspired trade tensions that might even lead to new trade wars can hardly bolster the strategic partnership.

Diplomats on both sides have worked hard over the past few years to paper over such differences so that they do not distract from the efforts to lay the foundations for a closer strategic partnership, but the fissures have not disappeared and ignoring them will not make them go away. Rather, the danger is that they will widen and deepen and come to undermine shared longer-term goals. A mutual failure to confront these issues and present a united front in relations with other countries will surely have strategic consequences.

So, even as they continue to embrace warmly in various strategic settings, U.S. President Joe Biden and India’s Prime Minister Narendra Modi might want to ask how this partnership is clearly falling short of its potential, and why. Concerted action on both the climate and trade fronts is mutually beneficial and will lend additional strength to the foundation of a true partnership for the coming century.

Mark Linscott is a former Assistant U.S. Trade Representative and is a Senior Fellow with The Atlantic Council’s South Asia Center and a Senior Adviser with The Asia Group. Irfan Nooruddin is the Senior Director of the Atlantic Council’s South Asia Center and Professor in the School of Foreign Service at Georgetown University

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