

Is India ready to face US heat on bilateral 'trade imbalance'?

Is India a ripe pear ready to be plucked for new market access in agricultural products, including beef, and services? That is the question being raised repeatedly by the senior US commerce and trade officials these days. "The US-India trade imbalance [in] bilateral trade between the United States and India is growing, but the growth is all in India's favour because barriers continue to keep exports out of the market," said the billionaire US commerce secretary Wilbur Ross while addressing US-India Business Council in Washington on 12 September. The US, he said, wants "growing and balanced" trade with India. But right now statistics show that India's market is still not open despite a recent spate of reforms undertaken by the Modi government, he has complained, according to a report in *Washington Trade Daily* on 13 September.

While bilateral trade doubled over the past decade to \$114 billion last year, the trade deficit tripled over that same period to \$27 billion in favour of the US. Ross also mentioned "barriers to free flows of services" into India because of New Delhi's insistence that foreign electronic payments to the country be handled by local suppliers. US companies like Visa and Mastercard are adversely affected by such practices, he suggested.

The Trump administration's nominee to be United States trade representative's chief agricultural negotiator, Gregory Doud, told the Senate Finance Committee that India "is a growing market for US agriculture, including beef", according to *Washington Trade Daily* of 15 October. Despite India having emerged as a major agricultural exporter with exports of agricultural products having surged from \$5 billion in 2003 to a record of more than \$39 billion in 2013, India offers vast opportunities to US agricultural producers "due to the country's growing population and increasing demand for food and agricultural products," according to a [report](#) of the US Department of Agriculture on 11 October.

India is also rapidly becoming the main target-country for American services, pharmaceutical companies for Intellectual Property Protection and agricultural exporters. The US has also complained incessantly about input subsidies provided to farmers in India at the World Trade Organization. During a meeting on 18-19 October, the US asked India pointedly how it has increased its agricultural production and become a world-leading exporter of a number of major commodities despite 99% of its farmers being low-income or resource-poor and 99% of its farms failing to generate enough income to maintain a minimum standard of living. It sought to know what mechanisms exist in India to ensure that its programs benefit low-income farmers.

Repeated bouncers are being hurled at India on its agricultural support programmes by the US, Australia and Canada among others. They rarely acknowledge the stark realities of poverty in India, including the suicides by farmers. The US insists that the input subsidies availed by India must go. Article 6.2 of the World Trade Organization's Agreement on Agriculture (AoA) allows "government measures of assistance, whether direct or indirect, to encourage agricultural and rural development", which "are an integral part of the development programs of developing countries." It provides that "investment subsidies which are generally available to agriculture in developing country Members and agricultural input subsidies generally available to low-income or resource-poor producers shall be exempt from domestic support reduction commitments that would otherwise be applicable to such measures." But the US has been on a warpath to eliminate Article 6.2 flexibilities for developing countries, including India, for some time now.

After having benefited from a range of agricultural subsidy programmes for more than two centuries, which sadly continue till date with impunity, it seems somewhat strange to witness trade-missiles being fired constantly by the US against India, one of its closest strategic allies in Asia. There is a pattern in the US' trade demands which seldom change, regardless of the

administration in power, including the current Trump administration with its aggressive policy of 'America First' in global trade.

During a heated discussion at a closed-door meeting of a dozen trade negotiators in the Canadian Mission in Geneva nearly a decade ago, a former chief Indian trade negotiator Gopal Pillai asked his US counterpart what the US was willing to do to reduce its farm subsidies before asking others to agree to onerous commitments. The US official was livid that such a question had been posed by an Indian official.

Even in the arena of trade in services, the US has imposed numerous barriers on Indian short-term services providers. India, for example, has consistently demanded that the US settle for a "totalization" agreement involving the protection of benefit rights of workers and short-term IT (Information Technology) and other service providers who divide their working career between two or more countries.

The US and India have already signed such totalization agreements with several countries.

But when it comes to signing a totalization agreement with India, whose IT companies lose more than \$1 billion on social security payments in the American market, Washington has consistently rejected India's demand, according to an IT analyst who asked not to be quoted. "Effectively, the Indian IT companies are annually paying a tax of more than \$1 billion to the US," the analyst said. The US also refuses to agree to India's demand for treating short-term IT service providers "as a trade and not an immigration problem". According to a report in *The Hindu* on 24 October, "nearly 100 Indian H-1B visa holders and their dependents reached out to US lawmakers on Monday (23 October), pleading for clearance of the massive backlog of green card petitions."

The fact is, for the US, dollar-and-cent interests in trade matter the most. Washington treats trade priorities religiously and separately from any strategic interests with its allies, including Israel and India. The priorities on trade are seldom compromised for maintaining strategic/political interests. But the mandarins in the Indian foreign office refuse to accept this reality. When Suresh Prabhu commences his maiden visit to Washington as India's trade policy chief on Wednesday he must ensure that New Delhi's bilateral and multilateral trade priorities involving hundreds of millions of poor farmers and millions of unemployed IT graduates are not eclipsed by the aggressive 'our way or highway' demands of Uncle Sam.

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