

THE REAL DEAL: ON INDIA-U.S. TRADE DEAL

Relevant for: International Relations | Topic: India - USA

After the backslapping bonhomie and high of Houston, it was time for a reality check in New York. Contrary to expectations that were consciously generated and managed by both sides, India and the United States failed to arrive at a limited trade deal that was to have been announced during this visit of Prime Minister Narendra Modi to the U.S. The deal stumbled over duties imposed by India on ICT (information and communication technology) products — the U.S. wanted the 20% duty on mobile phones and ethernet switches to be reduced or eliminated. America is also understood to have demanded greater access to the Indian market for medical devices such as stents and knee implants apart from its dairy and agricultural products. These are sensitive products politically for the Indian side as Mr. Modi has often taken credit for making them affordable. Loosening price controls now is not an option for India as that would push up prices of these products in the country. For its part, India wanted the Generalised System of Preferences which gives preferential market access for its products in the U.S., restored. These are so far as a “limited trade deal” goes; a full scale trade agreement would pose bigger challenges on issues such as intellectual property, e-commerce and the ticklish subject of H1B visas.

Foreign Secretary Vijay Gokhale has said that the two sides “narrowed” down their differences and made “significant progress” but it is clear that there is still a wide gulf even assuming that India is willing to go more than half the way to strike a deal. That a deal could not be struck despite Commerce Minister Piyush Goyal winging his way to New York to lead negotiations tells the story. For U.S. President Trump, even a limited deal with India will be something to talk about as he approaches election year. This is especially because trade talks with China are going nowhere. China has not only taken Mr. Trump’s punitive tariffs on its chin but has retaliated in kind, picking the products that could hurt his constituency and supporters. This explains the hectic, behind-the-scenes activity with India in the last few weeks. With its economy in the grip of a major slowdown, any concessions from India on imports of American products may not have gone down well both politically and in economic terms. Going by the limited information in the public domain, it appears that India has played tough and refused to yield to U.S. demands. Trade negotiations are never easy and for them to succeed, both sides have to believe in a policy of give and take. It does not help if one side tries to bulldoze the other into submitting totally to its interests. At this point in time it does seem that even a limited trade deal between India and the U.S. is some distance away.

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