

India, US Trade Talks: RSTV- Big Picture

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What's in the news?

- India and the United States (US) engaged in high-level talks during the 'India Ideas Summit 2020', organized by the US-India Business Council (USIBC).
- They are negotiating a trade deal where:
 - India is seeking concessions for generic drugs it exports to the United States.
 - The US has been seeking more access into Indian markets for its farm goods, like almonds and apples, on which India had increased tariffs last year (2019).
- Both countries have been negotiating a limited trade pact aimed at restoring zero tariffs on a range of Indian exports to the United States under its [Generalised System of Preferences \(GSP\)](#), which the US had withdrawn in 2019 citing lack of reciprocal access to Indian markets.

Key takeaways from the India Ideas Summit 2020:

- India and the US called their bilateral relationship a trusted partnership. The US Secretary of State mentioned that India is a natural partner to the US, and one of a few trusted, like-minded countries.
- Both the countries discussed consolidating their partnership in the following domains:
 - 5G internet technology and digital infrastructure of the future.
 - Restoring access for Indian workers to the US in fields like services, engineering and information technology.
 - India has invited US investments in its defence and space. India has increased the [FDI](#) cap to 74% for investment in the defence sector.
 - India has sought US investments in Indian healthcare, energy, defence, space, civil aviation, infrastructure, finance, agriculture and insurance sectors.
- India has demanded exemption from high duties imposed by the US on its steel and aluminium products.
- The US has said that India has a great opportunity to attract global supply chains away from China and reduce its reliance on Chinese companies in areas like telecommunications and medical supplies.

Status of trade talks between India and the US

- The US is India's largest trading partner, and India is its 9th largest trading partner.
- Bilateral trade has been going up by about 10 percent a year. There is a fixed target of about 500 billion dollars by 2025.
- In 2019, the US became the sixth-largest supplier of crude oil and the fifth-largest supplier of LNG to India.
- Both nations have negotiated a limited trade package with the intention of signing a bilateral free trade agreement (FTA) in the long run.

- The initial deal could include the restoration of the Generalised System of Preferences (GSP) benefits to India and the creation of reciprocal market access for each country's agricultural products to the other.

Problem areas in India & US trade relations:

- The US has placed India on its 'Priority Watch List' over the issue of [Intellectual Property Rights \(IPR\)](#):
 - The US has been complaining that the weak IP (Intellectual property) regime in India makes it tough for innovators to receive and maintain patents in India, especially pharmaceuticals.
 - The US, through its Special 301 report, has pushed India to remove Section 3 (d) of the Indian Patents Act which regulates patent rights and imposes license controls on drug manufacturing.
- India has demanded concessions for generic drugs it exports to the United States and in return offered opening its dairy markets and reducing tariffs on farm goods imported from the US.
- India is yet to finalise the totalisation agreement with the US.
 - The agreement aims at doing away with dual social security taxation for Indian workers.
- The US has raised concerns over the high trade deficit with India. India had hiked customs duties on certain US imports like almonds, pulses and walnuts, in response to higher tariffs imposed by the US on Indian products like steel and aluminium.

What is Special 301 Report?

- The report is released annually by the United States Trade Representative (USTR).
- It identifies trading partners that do not adequately protect and enforce Intellectual Property (IP) rights or deny market access to U.S. innovators and creators that rely on the protection of their IP rights.

Why is the deal on farm goods a sensitive issue?

- India has been demanding mandatory certification of imported dairy products by veterinary officials specifying that the source animal was not raised on feed made of bovine extracts. It is a religious issue in India. The US has raised objections to this claim from India.

What's the way forward?

- For successfully making Indian manufacturing and IT sector self-reliant, India looks forward to a strong Indo-US bilateral trade and strategic partnership. Both countries are taking steps for opening up their markets to each other. The Indian Prime Minister has highlighted the importance of capital, technology and entrepreneurship from the US for the Indian economy.
- India and the US could work together towards developing a vaccine against COVID-19, given India's potential for producing vaccines on a large scale.
- The Indian Government should bring more economic reforms by removing caps on foreign direct investments in sectors like insurance besides regulating IPR laws, to attract more US investors to the Indian market.
- Stronger US-India strategic relationship along with cooperation from other countries can create a counterbalance to rising Chinese expansionism.
- Forums like D10 are an opportunity to create alternative suppliers of 5G equipment and other technologies to avoid relying on China.

What is D 10?

- Britain has planned to club India, South Korea and Australia along with G7 countries – UK, US, Italy, Germany, France, Japan and Canada.
- The aim is to create alternative suppliers of 5G equipment and other technologies to avoid dependence on China for vital technologies.

