

United States-India Trade Deal: Will it Happen?

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Summary

No trade deal was signed between India and the United States (US) during President Donald Trump's recent visit to India. Is a US-India trade deal possible? This paper argues that such a deal, if it at all materialises, will be limited in content and largely symbolic with a clear tilt towards increasing US imports into India.

There were expectations of India and the United States (US) signing a bilateral trade deal on the occasion of the US President Donald Trump's visit to India during on 24 and 25 February 2020. Though both President Trump and Indian Prime Minister Narendra Modi reiterated their commitment to a trade deal along with the strong hope that it would be formalised soon, no formal agreement as such was concluded during Trump's visit. On the contrary, notwithstanding Trump's and Modi's buoyant tones, there remains considerable doubt over whether a bilateral trade deal will see the light of the day in the foreseeable future.

The US-India trade deal is being worked out by two countries that are identical in their cynicism on trade. The Trump Administration feels global trade rules of the World Trade Organisation, as well as the bilateral free trade agreements that the US has with many of its partners, have mostly worked against US national interests. These trade pacts have allowed goods and services from partner countries liberal access in the US market, while not allowing such reciprocity to American products. The Trump Administration has been active in correcting these 'distortions' by using its geo-strategic clout to rework existing trade deals with partners like Japan, Canada and Mexico. It feels that trade deals that are good for the US must necessarily produce trade surpluses in favour of the US and that is what it has set out to achieve.

India enjoys a trade surplus with the US. In the eyes of the Trump Administration, it is one of clearly one of those countries that have gotten away by obtaining deep access in the US market, without allowing similar access to the US in its own market. This led to the US withdrawing unilateral Generalised System of Preference benefits to Indian products from last year. At the same time, the US has been active in reversing the nature of its trade relation with India from a surplus in favour of India to one in its favour. This, the US realises, is possible only by making India grant deeper access to American goods and services in its domestic market by lowering tariffs and removing regulatory barriers in specific sectors of US export interest. It further realises that this can be achieved only through a formal deal, similar to the one the US has with China, which would bind India to specific commitments to buy American products. And finally, it also senses that it can get to such a deal, however ambitious (or audacious, depending on which side of the opinion spectrum one belongs to) it might be, by exploiting its geo-strategic proximity with India.

The roadblocks to getting the kind of trade deal the US wants with India is the latter's own profound cynicism of trade. Much like the Trump Administration, dislike of trade deals is conspicuous in India. Most agencies dealing with trade feel India's existing trade agreements have worked against it by allowing partner countries more access to Indian market than the

access that Indian products have got elsewhere. This remarkably identical skepticism of trade deals with the US has led India, again like the US, to review many of its current trade deals. Its decision to back out of the mega-regional Regional Comprehensive Economic Partnership was not just a reflection of its anti-trade posturing; it was also – in almost equal measure – a regional repeat of the Trump Administration’s decision to pull the US out of the mega-regional Trans-Pacific Partnership– in January 2017.

It is almost impossible for India to get into a new trade agreement, given its heavily inward-looking, anti-trade sentiments. The fact that it is still engaged in discussions with the US on a trade deal is just because the geo-strategic compulsions are too much to ignore. India is aware of the enormous importance of staying strategically engaged with the US. It is also aware that, notwithstanding the impressive strides its ties with the US have taken in defence and broad regional cooperation like in the Indo-Pacific, the depth of the relationship will remain limited without a trade deal. The realisation makes Indian agencies work hard for a deal. However, tough US demands, like concessions on market access in dairy and domestic data regulations, are pitching efforts for a deal against the very same domestic constituencies that virulently hate trade, and are sizeable and politically powerful enough to be overlooked.

Ultimately, a US-India trade deal is likely to be limited in content and mostly symbolic in nature, with a clear tilt towards increasing US imports by India. Nevertheless, it might still mark the beginning towards a fruitful and comprehensive structured economic partnership, once both sides realise that they could actually get to a deal, however patchy.

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