



India-USA Bilateral Trade

Why in News

According to annual reports of **US Trade Representative (USTR)**, India's recent emphasis on [import substitution](#) through the '[Make in India](#)' campaign is one of the several challenges facing the bilateral trade relationship.

Key Points

▪ Bilateral Trade between India and USA:

- In 2019-20, the bilateral trade between the USA and India stood at **USD 88.75 billion**.
- The USA is one of the few countries with which **India has a trade surplus**.
- India's trade surplus with the USA increased to USD 17.42 billion in 2019-20 from USD 16.86 billion in 2018-19.
- For the USA, **India was the sixth largest** supplier of services imports.
- India's large market, economic growth, and progress towards development make it an essential market for USA exporters.

▪ Issues in the Trade Relationship:

- **Tariffs:** Both the countries cite market barriers including both tariff and non-tariff barriers, as well as multiple practices and regulations that disadvantage foreign companies.
- **Generalised System of Preferences (GSP) Programme:** Effective from June 2019, the USA decided to withdraw duty-free benefits to Indian exporters under the [GSP programme](#).
- **Services:** A key issue for India is the **USA's temporary visa policies**, which affect Indian nationals working in the United States.
 - India also continues to seek a **"totalization agreement"** to coordinate social security protection for workers who split their careers between the two countries.
- **Agriculture:** [Sanitary and phytosanitary \(SPS\) barriers](#) in India limit USA agricultural exports.
 - Each side also sees the other's agricultural support programs as market-distorting.
- **Intellectual Property (IP):** The two sides differ on how to balance [IP protection](#) to incentivize innovation and support other policy goals, such as access to medicines.
 - India remains on the **"Special 301" Priority Watch List for 2020**, based on concerns owing to its treatment of patents, infringement rates, and protection of trade secrets.
- **"Forced" Localization:** The United States continues to press India on its "forced" localization practices.
 - Initiatives to grow India's manufacturing base and support jobs include requirements for in-country data storage, domestic content (such as laws protecting India's solar sector), and domestic testing in some sectors.
 - India's new data localization requirements for electronic payment service suppliers

such as MasterCard, Visa, etc.

- **Investment:** US concerns about investment barriers remain nevertheless, heightened by new Indian restrictions on how e-commerce platforms such as Amazon and Walmart owned Flipkart conduct business.
- **Defense Trade:** The United States urges more reforms in India's defense offsets policy and higher **Foreign Direct Investment (FDI)** caps in its defense sector.

Generalized System of Preferences

- The **Generalized System of Preferences (GSP)** is a USA trade program designed to promote economic growth in the developing world by providing preferential duty-free entry for up to 4,800 products from 129 designated beneficiary countries and territories.
- GSP was instituted on 1st January, 1976, by the Trade Act of 1974.

Way Forward

- There is a huge potential to boost bilateral trade between the countries especially on account of increasing anti-China sentiment in both the nations.
- Thus, the negotiation should focus on the resolution of various non-tariff barriers and other market access improvements as early as possible.

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