



## India-US Trade

India and the US agreed to **deepen economic cooperation and resolve outstanding issues through regular official engagements** in a **recent meeting** between the US commerce secretary Wilbur Ross and Indian trade minister Suresh Prabhu.

While the **US is India's largest export destination, India is only the 13<sup>th</sup> largest for the US** due to **"restrictive market access barriers"**.

### Major Issues

#### ▪ Tariffs

- Bilateral tensions have increased over each side's tariff policies. These include the US 25% steel and 10% aluminum tariffs.
- India is considering the retaliatory tariffs.
- According to US, market barriers in Indian market include both tariff and non-tariff barriers, as well as multiple practices and regulations that disadvantage foreign companies.
- India is considering challenging the US tariff increases in the World Trade Organization (WTO).
- President Trump has called India "a very high-tariff nation" and criticized tariff imbalances.

#### ▪ Generalised System of Preferences (GSP) Programme

- Recently, the US has decided to **withdraw duty-free benefits to Indian exporters under the GSP programme**.
- India is GSP's top beneficiary. In 2018, GSP represented 11% (\$6.3 billion) of US merchandise imports from India, such as chemicals, auto parts, and tableware. GSP removal would reinstate US tariffs.

#### ▪ Services

- A key issue for India is US's temporary visa policies, which affect Indian nationals working in the United States. India is challenging US fees for worker visas in the WTO, and monitoring potential US action to revise the H-1B visa program.
- 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 US 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 2018**, based on such concerns as 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 FDI caps in its defense sector.

### **Generalized System of Preferences (GSP)**

- The GSP is a US 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 January 1, 1976, by the Trade Act of 1974.

### **Totalization Agreement**

- A Totalization Agreement is a convention between two countries preventing duplicate social security contributions for the same income.
- India had signed Social Security Agreements (SSAs)/Totalization Agreement with several countries (presently 18 countries).
- US has also signed the totalization agreements with 24 countries.
- India has been trying to sign such agreements with US since 2007.

### **Defence Offset Policy 2016**

- It is a part of Defence Procurement and Procedure (DPP) 2016.
- The offset policy mandates foreign suppliers to spend at least 30% of the contract value in India.
- The key objectives of the Defence Offset Policy is to leverage the capital acquisitions to develop Indian defence industry by fostering the development of internationally competitive enterprises; augmenting capacity for research and development in defence sector and to encourage development of synergistic sectors like civil aerospace and internal security.
- The offset can be discharged by many means such as direct purchase of eligible products/services, FDI in joint ventures and investment towards equipment and transfer of technology.
- The foreign Original Equipment Manufacturer (OEM) is free to select any Indian company as its offset partner.

### **"Special 301" Priority Watch List**

- The Office of the United States Trade Representative (USTR) releases its annual Special 301 Report on the adequacy and effectiveness of trading partners' protection of intellectual property rights and the findings of its Notorious Markets List.
- The 2018 report has placed India on 'Priority Watch List' over challenges in India's IP framework.