

US pushing for trade deal that will hurt India

The US will get substantial access to the Indian market and compromise India's position in future trade agreements

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TRADING THOUGHTS

When impunity becomes the order of the day in the global trading system, it would be hardly surprising to witness a violator asking for payment for correcting the violation it had committed. That is what the US is seeking to accomplish through a mega trade deal with the Narendra Modi government next week.

Under the muscular and coercive 'America First' trade policy regime during the past three years, the Donald Trump administration has left no stone unturned to pursue its interests. That it had committed numerous violations on bilateral and multilateral fronts is an understatement. For example, the US has slapped unilateral duties on steel and aluminium products from India and several other countries under an ancient provision called Section 232, for national security measures.

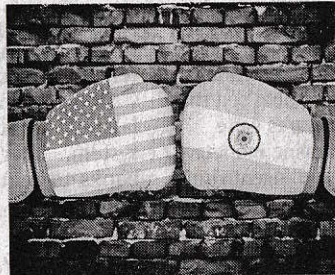
The penalised countries, have raised trade disputes against the US at the World Trade Organization. Sev-

eral, including New Delhi, also responded with retaliatory measures by clamping duties on American products. In all likelihood, the trade disputes against the US will remain in cold storage for years to come, as Washington has already spiked the two-stage appeal system.

GSP benefits

To demonstrate its naked brutal power in the trading system, the US began terminating benefits accrued to Indian exporters under the Generalized System of Preference (GSP) last year. New Delhi has not provided "equitable and reasonable access to its markets," Trump charged. Therefore, "it is appropriate to terminate India's designation as a beneficiary developing country (under the GSP scheme) effective June 5, 2019," he declared. But the Presidential proclamation did not indicate areas in which India had denied market access.

GSP programmes provide a margin of preferences in the tariffs for exports from the developing to the developed countries, to increase competitiveness. The GSP schemes were legitimised through what is called the 'Enabling Clause', that unambiguously stated that schemes by



Greater benefits for US in mega deal

preference-giving developed countries such as the US must remain a "generalised, non-reciprocal, non-discriminatory system of preferences in favour of the developing countries."

To rectify its illegal trade-related actions, the US sought to extract substantial market access for American products in India, including through the removal of duties India had imposed in retaliation for steel and aluminium products that the US had imposed under Section 232 provision last year. Washington has also pressed for comprehensive changes in Indian trade rules, including sanitary and phyto-sanitary provisions.

The list of tariff reductions sought by the US include a range of agricul-

tural products, dairy products, pricing of pharmaceutical stents used by cardiac patients and in knee implants, and even IT products as well as cloud computing in e-commerce.

In return, the US had earlier maintained that it would restore only 50 per cent of the benefits accorded to Indian exporters under the GSP scheme, that was terminated by Trump in June last year. Even though WTO rules allow India to impose retaliatory duties on American products for discontinuing the GSP scheme, the Modi government chose not to do this.

Undermining India

The US' insistence to link the removal of duties accorded under the GSP scheme to India's retaliatory duties is asymmetrical. In short, the so-called \$10-billion mega-deal between the US and India appears to be a *jumla* of sorts. The US could pry open India's market for agricultural and pharmaceutical products. Washington has always opposed India's intellectual property protection laws for pharmaceutical products.

Moreover, the deal with Washington could severely undermine India's

autonomy in other bilateral and multilateral trade negotiations. The US wants to deny special and differential treatment for India and several other developing countries in the current and future trade negotiations.

Washington is also equally determined to bring about punitive naming and shaming provisions for non-compliance of notifications at the trade body. India could also be forced to give up its stand on a moratorium for not imposing customs duties on electronic transmissions. The US will also attempt to bring India into its proposed plurilateral agreement on electronic commerce.

The litmus test for India's resolve to stand up to its existing negotiating positions, which are diametrically opposed to the US' demands, will come at the WTO's 12th ministerial conference at Nur Sultan, Kazakhstan, in June. That is when the US will exert enormous pressure on India to change multilateral trade rules under a dubious reform programme at the WTO. Will India be able to continue resisting Uncle Sam? And, is it worth mortgaging India's negotiating future for an intangible deal — akin to what the East India Company had sought?