

WHILST THE tensions between the US and China have blown hot and cold over the last few years,

India has largely been a disinterested bystander, but fearful of the consequential slower global trade. However, the recent expansion of the protectionist attitude of the US toward global trade in Asia and precisely India, was a setback to the newly elected Modi government. The US has repeatedly mentioned India's tremendously high tariffs on its products, but the latter being denied benefits of the

import duties. As a result, India exported products worth around \$54 billion to the United States that year and bought \$33 billion worth of US goods.

The US decision to terminate the GSP followed repeated demands for greater market access for a range of products, which India has been postponing. Over time, the programme certainly helped India to export more. But the US trade deficit with India also fell from \$24.4 billion in 2016 to \$21.3 billion in 2018. This couldn't have been possible had India not been providing reasonable market access to its largest trading partner.

In the past India has been accommodative of US trade tariffs and

off foreign investments and sluggish growth, the stakes are too high for the Indian economy to get involved in any unnecessary trade war. Being a part of this programme is crucial for Indian gems, jewellery, and the textiles sector as the US is a major importer from these markets. Thus, resolving the issues with constructive negotiations would prove to be a win-win for both the countries.

In the light of these facts, a less strained relationship between both the economies would be beneficial for the businesses that are relocating out of China due to soaring manufacturing costs. It is an opportune time for India to capitalise on this situation and attract massive FDI inflows, to stimulate its own economy.

Trade, Tariff and Tensions



Generalized System of Preferences (GSP) programme was still not anticipated.

The GSP Programme is an effort to facilitate opportunities for 120 of the world's developing and least developed nations to use trade to grow their economies and climb out of poverty. Being the oldest and largest preferential tariff system, GSP promotes sustainable economic development by providing duty-free treatment to over 3,500 products when imported by the US from one of the designated beneficiaries. The programme thereby enables these recipients to embrace fair and reciprocal trade with the US. For instance, in 2018, the programme exempted Indian goods worth more than \$6 billion from

embargos but this time it has retaliated by imposing duties on about 29 goods of US origin worth \$200 million. It would be mutually beneficial for both the economies to not let the situation aggravate into a series of retaliatory bouts. A robust relationship with the US would ensure stronger diplomatic and trade engagements. In the on-going trade war with China, the US needs allies and India can prove to be a useful one. Thus, it is immensely myopic to alienate India; especially when India's trade surplus with the US is merely \$23 billion against China's \$323 billion.

With rising unemployment, tapering

On his recent three-day visit to India, Mike Pompeo, the US Secretary of State, met the Indian External Affairs minister S. Jaishankar and decided to "work through" the trade issues. These transparent and consultative dialogues set the stage for the Modi-Trump talks at the G-20 summit held in Osaka. Both the leaders have jointly agreed to sort out these contentious issues relating to trade imbalances and re-develop the global strategic partnership. These are steps in the positive direction, but only time will tell if these bilateral talks can iron out altercations without compromising India's national interests. **BW**

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