



# The Bottom Line

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## U.S. AND INDIA ATTEMPT TO NEGOTIATE TRADE AGREEMENT

### Summary

The United States and India have struggled to bridge their differences and sign a trade deal that would lower Indian barriers to American products and restore India's access to duty-free shipments to the U.S.

### Background

Trade between the U.S. and India has grown steadily since the mid-to-late 1990s. Successive U.S. administrations have attempted to widen access to Indian markets by offering trade concessions. The Trump administration undertook two separate actions that changed the course of the relationship. In March 2018, India was part of the first round of countries hit with 25% and 10% steel and aluminum tariffs, respectively. India filed a formal World Trade Organization (WTO) dispute against the tariffs and announced their intention to respond with retaliatory duties as high as 120%. In the twelve months following the move, India's exports of steel to the United States fell by 46%.

Effective June 5, 2019, India's designation as a beneficiary country for the Generalized System of Preferences (GSP) was terminated. India was the largest beneficiary of the program in 2017 with \$5.7 billion in shipments to the U.S. given duty-free status. In a statement in March 2019, the U.S. Trade Representative (USTR) said that India had failed to provide the U.S. with assurances that it will deliver equitable and reasonable access to its markets in numerous sectors. In response to this second act by the U.S., India followed through and levied higher tariffs on 28 key U.S. agricultural products, a move that President Trump called "unacceptable."

### Current Status

Two countries led by nationalist leaders, both trying to fend off competition from foreign vendors and protect jobs at home, have been escalating tension by ratcheting up tariffs and trade barriers,

even while negotiations are underway. President Modi visited the United States last September and President Trump followed with a visit to India in February. Between these visits, negotiators had made progress on modest agreement that would remove barriers for American farmers and strengthen India's intellectual property protections. One of the goals of the February trip was to sign this "mini-deal" agreement to demonstrate incremental progress between them. New demands on both sides became a major stumbling block to the pact's conclusion. Another item of contention is a bill similar to Europe's General Data Protection Regulation (GDPR) currently under review in parliament which would prohibit companies from processing sensitive personal information about citizens outside India.

### Impact

India was the United States' ninth-largest trading partner in goods in 2018, while the United States edged ahead of China to become India's largest trading partner last year. The shared goal, according to Chandrajit Banerjee, Director General, Confederation of Indian Industry, is \$500 billion in trade, up from \$142 billion in 2018. In order to achieve these goals, the countries must work out a deal that can open markets in both directions. President Trump has said he is focused on a larger agreement that could be reached by the end of this year, if the two sides can find common ground. India has responded that it won't be bullied into making an agreement that hurts Indian interests.

#### RESOURCES:

[As Trump Visit India, Trade Deal Remains Elusive](#) (NYT)  
[U.S. Struggles to Forge Trade Deal With India](#) (Time)  
[A Field Guide to U.S.-India Trade Tensions](#) (CFR)