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On February 4, the US Air force shot down a balloon claiming it to be a Chinese spying device. This incident has complicated an already strained US-China relationship. Also, several factors have tested their trade relationship in recent years, and these include disagreements over trade imbalances, intellectual property theft, and technology transfer.

In 2018, the US imposed tariffs on Chinese imports to reduce its trade deficit with China and address concerns over intellectual property theft. China responded with tariffs of its own, leading to the ongoing trade dispute. The Russia-Ukraine war has made matters worse, with developed nations raising the old industrial policy playbook.

For decades after the Reagan-Thatcher revolution and the emergence of the Washington Consensus in the 1980s, economic orthodoxy was opposed to policies that implied "picking winners" rather than letting the market decide. However, in their efforts to reshape the existing global supply chains, the US has passed two crucial legislation — the Chips and Sciences Act and the Inflation Reduction Act, with a budget outlay of \$280 billion and \$370 billion, respectively.

While the Chips and Sciences Act aims to build a domestic semiconductor industry and push forward America's scientific supremacy over China, the Inflation Reduction Act aims at reducing healthcare costs and encouraging clean and green energy transmission in a big way.

These are direct attempts by the US to decouple its economy from the dependence on Chinese supply chains. Indeed, India is also following this path through schemes like Production Linked Incentives (PLI). This provides a window of opportunity for India to enter into emerging supply chains. Both India and the US are working together on this front through increasing number of state visits by senior leaders from both countries.

Even though India-US trade relations have strengthened post-liberalisation (the US is the largest import partner of India), many issues have stopped them from having a full-fledged trade agreement. While both nations are cautious about their current over-reliance on Chinese imports (both have substantial trade deficits with China), they have divergent views on agriculture, labour standards, climate, and human rights issues. These are reflected in the current Indo-Pacific Economic Framework for Prosperity (IPEF), which tries to build regional cooperation on trade, supply chains, clean energy (decarbonisation and infrastructure), tax and anti-corruption.

Supply chains and clean energy in particular are promising areas given the



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recent policies announced in both countries in areas such as green hydrogen, wherein one can think of so many complementarities that can help build resilient global value chains with these two countries as major nodes. India has not participated in the trade channel of this framework.

Hence, a lot of groundwork must be done to build India-US trade relations. As a first step, both nations could work on the following: (a) reinstatement of India in the Generalised System of Preferences (GSP); (b) start negotiating on services trade outside the framework of comprehensive free trade negotiations; and (c) start at least an intellectual-level exchange of ideas on labour and environmental standards.

The GSP was established by the US to provide preferential treatment to certain imports from developing countries. Under this programme, eligible products from developing countries, including India, were exempt from tariffs when imported into the US. This made Indian exports to the US more competitive and helped increase trade between the two countries. India was, in fact, the largest

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beneficiary of the GSP system.

In 2018, \$6.8 billion worth of exports from India — nearly 10 per cent of the country's exports, that is — benefited from GSP rules. Unfortunately, in June 2019, the US removed India from the GSP programme, citing concerns over trade practices and failure to provide equitable and reasonable market access to US companies. Reinstating India into the GSP programme will be a good way to enhance bi-lateral ties.

SERVICES TRADE

The US has been seeking greater access to the Indian education and insurance markets, while India has been pushing for more labour access in some US services. Hence, more than the merchandise segment, there are more complementarities between India and US in the services segment.

While it is customary to negotiate services trade agreements within a comprehensive free trade agreement (FTA) framework, considering the complementarity that services trade provides for both nations, a standalone services agreement could provide a quick opportunity for both countries to seal a deal. There are several low-hanging fruits, such as US investments in the state-of-the-art GIFT City and taking forward India's fintech innovations like UPI, RuPay, etc., to the US, which can all be win-win measures, with least conflict.

Labour and environmental standards have been a significant point of

contention. While the harmonising both the essential for protecting India's practical inability starting a discussion. However, it is important to understand that the developing countries in this direction. A striking EU-Vietnam FTA that benefits accruing to be

Even in the context of negotiations engaged UK, Canada and Australia (comprehensive trade are an important issue needs to start engaging research and academic brainstorm these stand cross-country compar

It appears the future will be divided among the US and China. The free trade within a bloc across blocs.

Attempts by the US supply chains with friends have a significant impact industrialisation in the Hence, showcasing such negotiations becomes US and India. A US-India could significantly reduce and the geopolitical m

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