

Modi-Biden summit brightens trade prospects

VS Seshadri

Technology, space, clean energy and defence industrial cooperation stand out among the several outcomes of the just concluded landmark state visit of Prime Minister Modi to the US. The initiatives agreed upon in each of them, together with several of the high profile investments and procurements announced by companies from either side and the promised technology transfers, could rapidly transform bilateral economic ties. They can also significantly boost the current bilateral trade level of \$191 billion.

Pending trade disputes and regulatory barriers have been hardy perennials defying quick resolution bilaterally. Even during the Trump era accusations about high tariffs flew thick and fast. A mini deal talked about as imminent during Trump's visit to India in February 2020 never came about.

After President Biden took over, USTR Katherine Tai's visit in November 2021 revived hopes when the bilateral Trade Policy Forum met and working groups were formed to come out with time-bound results. Another meeting of this forum was held in January this year when Trade and Industry Minister Piyush Goyal visited the US but again noted no major breakthroughs.

It is, therefore, welcome to see several steps announced on the trade front as part of the summit's joint statement. First, the resolution of six outstanding WTO disputes, three initiated by each side, with mutually agreed solutions clearly signals that the two sides now want to move forward without this baggage. Disputes raised by the US side related to solar cells and modules imports into India, certain of India's export subsidy schemes and the retaliatory duties imposed by India on 28 products in response to the additional duties on steel (10 per cent) and aluminium (25 per cent) introduced by the US on national security grounds.

The disputes taken up by India concerned, apart from the steel and aluminium duties themselves, certain subsidies and local content requirements in the US in the renewable sector and the countervailing measures imposed on hot rolled carbon steel. Each of these disputes were at different stages of being addressed under the WTO dispute settlement system that is itself now crippled in the absence of the Appellate Body.

Details about the mutually agreed solutions on all the six disputes are not yet available. But India's Commerce Ministry has announced it will lift the retaliatory duties on the 28 items from the US. In return, the US Commerce Department will clear 70 per cent of steel and 80 per cent of aluminium applications from Indian exporters under its relevant procedure. Effectively, this means quotas for exporting these items from India

IMPACTFUL. Decisions on resolving six outstanding WTO disputes, restoring the eligibility for US GSP and initiating strategic trade dialogues augur well

without the additional duties. As per the Commerce Ministry, this could raise India's exports of these items by 35 per cent. While India has in principle opposed such quantitative restraints in the past it seems pragmatic to accept this deal, as in fact has been similarly done by several other exporting countries including Japan, the EU, the UK, etc.

Second is a more favourable formulation in the joint statement about our interest in being restored the eligibility for the US GSP (Generalised System of Preferences) scheme. Both the leaders have now supported intensifying work on advancing progress on issues relating to the eligibility criteria. A related benefit of GSP restoration will be that India gets recognised by the US as a developing country, which will also be useful in the WTO context. Earlier US proposals at the WTO have cast doubts on this.

TRADE AGREEMENTS ACT

Third, in response to the the interest shown by India in being recognised as a Trade Agreements Act

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(TAA)-designated country, the joint statement has noted the two sides have initiated some discussions on issues relating to bilateral government procurement. Government procurement in the US requires that the items procured are either manufactured or substantially transformed in the US or a TAA-designated country.

Since India is already discussing government procurement chapters in the FTA negotiations with the UK, the EU, Australia, etc., (the FTA with the UAE already has a chapter) this could be a possible area of co-operation with the US. But there being no FTA on the cards with the US now, the WTO compatibility of a stand-alone bilateral agreement on government procurement may need examination.

Fourth, is the welcome accorded by the summit to the launch of the India-US strategic trade dialogue at the level of Foreign Secretary from the Indian side and two Under Secretaries from the US side which held its first meeting in Washington DC earlier this month. The dialogue is about facilitating development and trade of technologies in critical domains such as semiconductors, space, telecom, quantum and AI defence. Navigating the complex maze of US export controls and reporting obligations is a relatively unexplored area for most Indian companies. The dialogue is crucial for Indian entities interested in high technology commerce and technology transfer.

There is a great deal more in the summit outcome that can generate spin-offs for greater trade and investment be it through creating secure and trusted telecommunications or from co-operation in cutting-edge technologies or arising from deeper collaboration to secure pharma supply chains and critical minerals.

There is also reference to an understanding among the two sides on market access for certain products of significance for bilateral trade. Clearly, what remains now is effective follow-up.

No doubt certain issues like the bilateral totalisation agreement of interest to India have not seen movement. Equally it can be said India too has not moved on joining the IPEF (Indo-Pacific Economic Framework for Prosperity) trade pillar.

It needs recalling here that the Biden Administration is pursuing a labour-centric trade policy aimed at also boosting domestic manufacturing. USTR Tai in a recent speech said a key part of her approach is to put US back into the USTR. Similarly, India too is pursuing its Atmanirbharta policy with its PLI and other initiatives. In this context, the summit outcome is a demonstration of readiness shown by both sides in crafting solutions that accommodate mutual sensitivities and interests. This new spirit on the trade front, if sustained, augurs well.

The writer, a member of the Indian Foreign Service, retired as Ambassador to Myanmar