

## **Addressing Protectionist Measures in Indo-US Trade**

### **What is the issue?**

\n\n

\n

- Commercial relationship between US and India is hindered by few protectionist measures.
- New reforms needs to be introduced to address the concerns in Indo-US trade.

\n

\n\n

### **What is the status of Indo-US trade relations?**

\n\n

\n

- Over the past decade, two-way merchandise trade has grown from \$44 billion to \$74 billion.

\n

\n\n

\n

- For a point of comparison, taking US-China trading relationship the trade topped \$635 billion in 2017.
- US-India trade was 10 per cent the size of US-China trade, now the trade is at 11 per cent as large, India aim much higher.
- India can seize the strategic opportunity through trade and investment to become an alternative hub for US business in the Indo-Pacific.

\n

\n\n

### **What are the visions on India's trade activities?**

\n\n

\n

- Economic Survey 2017-18 pointed out, India's projected economic growth is between 7 per cent and 7.5 per cent for 2018 and 2019.  
\n
- Inflation is down a bankruptcy code is helping resolve stressed assets issues, and the goods and services tax (GST) has resulted in widening the indirect tax base.  
\n
- India has emerged as a strong geo-economic player, there are signs of India transitioning into an innovation-led economy, with more start-ups.  
\n
- India is now witnessing enhancements in global benchmarks in the World Bank's ease of doing business index, Moody's rating, the global innovation index, or the global competitiveness index.  
\n
- At a time when foreign direct investment is lower globally, India recorded the highest inflow of FDI in 2016 at \$60.1 billion.  
\n
- The Government has fast-tracked 200 infrastructure projects worth \$140 billion, backed by technology-driven and e-governance initiatives.  
\n

\n\n

## **What protectionist measures concern India-US trade?**

\n\n

- **India** - India leaves the opportunities for mutually beneficial growth and job creation untapped, India not been able to accelerate two-way trade between global economies.  
\n
- Instances such as blunt imposition of price controls, unpredictable tariffs on agriculture or electronics products, and preferential market access for domestic companies is concerning the trade.  
\n
- A challenging environment that does not consistently protect intellectual property is deterring further foreign investment.  
\n
- The Government's decision to continue the price control policy portends a continued downward trend in life sciences sector.  
\n
- **US** - Recent proposals to restrict legal immigration and calls to unilaterally impose tariffs have the potential to disrupt a mature trading

relationship that the US enjoys with its partners.

\n

\n\n

### **What measures needs to be taken?**

\n\n

\n

- Resolving transfer pricing disputes, updating the US-India bilateral tax treaty, and overhauling tax litigation and administrative processes will promote trade.
- India's financial markets must continue to mature and deepen to support the economic growth.
- Bond market reform are needed for companies and investors to deeper the capital resources and the investment diversification.
- To rise to its full potential, India will require a renewed focus on reforms and a more open trade architecture.

\n

\n\n

\n\n

**Source: Business Line**

\n

