Addressing Protectionist Measures in Indo-US Trade

What is the issue?

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

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- Over the past decade, two-way merchandise trade has grown from $44 billion to $74 billion.
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- For a point of comparison, taking US-China trading relationship the trade topped $635 billion in 2017.
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- 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.
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- India can seize the strategic opportunity through trade and investment to become an alternative hub for US business in the Indo-Pacific.
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What are the visions on India’s trade activities?

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- 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.
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- 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.
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- India has emerged as a strong geo-economic player, there are signs of India transitioning into an innovation-led economy, with more start-ups.
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- 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.
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- At a time when foreign direct investment is lower globally, India recorded the highest inflow of FDI in 2016 at $60.1 billion.
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- The Government has fast-tracked 200 infrastructure projects worth $140 billion, backed by technology-driven and e-governance initiatives.
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What protectionist measures concern Ind0-US trade?

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- **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.
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- 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.
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- A challenging environment that does not consistently protect intellectual property is deterring further foreign investment.
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- The Government’s decision to continue the price control policy portends a continued downward trend in life sciences sector.
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- **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.
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What measures needs to be taken?

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

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