India-US Trade Agreement

Mains: *GS II – International relations| GS III – Economy*

Why in News?

Recently, Thousands of farmers from Punjab, Haryana, and other states have mobilised against the proposed India-US trade agreement.

What is the Proposed India-US Bilateral Trade Agreement?

- **Reduction of tariffs** – India and the United States are negotiating a Bilateral Trade Agreement aimed at strengthening trade and investment relations by reducing tariffs and other trade barriers.
- **Sectors covered** – The proposed agreement covers multiple sectors, including, manufacturing, services, digital trade, e-commerce, investment, government procurement, intellectual property rights and agriculture
- The negotiations are currently in progress, and no agreement has been signed.
- The latest rounds of discussions concluded without a breakthrough as India maintained its position on protecting agriculture while seeking assurances against future tariff actions by the United States.

Why are farmers protesting before the agreement is signed?

- **Difficulties in revision** – Farmer organisations argue that trade agreements have long-term implications and that once market access commitments are made, reversing them becomes difficult.
- Therefore, they believe it is necessary to register their concerns while negotiations are still underway.
- **Apprehensions on import duties** – The immediate trigger for the protests is the apprehension that India may reduce import duties on American agricultural products, making them cheaper in the domestic market.
- Farmers fear that this could depress prices of Indian agricultural produce, reduce farm incomes, and adversely affect rural livelihoods.
- **Demand for transparency** – The protests also reflect demands for greater transparency in trade negotiations and wider consultation with stakeholders before finalising any agreement.

What are the major concerns of farmer organisations?

- **Competition from Highly Subsidised US Agriculture -** One of the principal concerns is the significant difference in government support provided to farmers in the

United States compared to India.

- American agriculture benefits from, large-scale commercial farming, high levels of government subsidies, advanced mechanization, better irrigation infrastructure and superior logistics and supply chains
- In contrast, Indian agriculture is characterised by, small and fragmented landholdings, dependence on monsoon rainfall, limited mechanization, lower levels of financial support and high production risks.
- Farmer organisations argue that Indian farmers would find it difficult to compete with cheaper imported products produced under such favourable conditions.
- **Impact on Domestic Farm Prices –** Reduced tariffs could increase imports of agricultural commodities, leading to greater supply in the domestic market.
- This may result in, falling crop prices, reduced profitability, declining farm incomes and increased rural distress.
- Small and marginal farmers, who constitute the majority of India's farming community, are expected to be the most vulnerable.
- **Threat to Allied Agricultural Sectors –** Farmer groups contend that the impact would not be confined to crop cultivation alone.
- They fear adverse consequences for, dairy farmers, livestock rearers, poultry producers and Fisheries, rural traders and agricultural labourers.
- Since these sectors are closely integrated with farming, increased imports could affect the entire rural economy.
- **Expansion of the Agreement beyond Agriculture –** Farmer organisations also fear that the proposed agreement could eventually include sectors such as, dairy, digital trade, e-commerce, government procurement, investment, intellectual property rights and services.
- They argue that such provisions may have wider economic implications extending beyond agriculture.
- **Agricultural Products at the Centre of the Debate –** Although the final details of the agreement remain undisclosed, reports suggest that negotiations include discussions regarding greater market access for several american agricultural products.
- This includes Dried Distillers' Grains (DDGS), red sorghum, soybean oil, tree nuts, fresh fruits, and processed fruits.
- Farmer organisations are also apprehensive that future negotiations could extend to politically sensitive commodities such as, wheat, rice, sugar, dairy products, poultry and soybeans.
- Even though the government has not confirmed the inclusion of these products, the uncertainty has intensified farmers' concerns.

What is the government’s stand and farmers demand?

- **Government's Position –** The Union Government has consistently maintained that india's agricultural interests will not be compromised during negotiations.
- Its key assurances include, agriculture remains a "red line" in negotiations, no agreement will undermine indian farmers, sensitive agricultural products will remain protected.
- Government also ensured that safeguards will be incorporated into any final

agreement, india will sign the agreement only if it serves national interests.

- Government representatives have also emphasised that the agreement should generate benefits for businesses, workers, consumers, and farmers without compromising domestic priorities.
- **Demands of Farmer Organisations –** Farmer unions have put forward several demands:
    - No tariff concessions on sensitive agricultural products.
    - Complete protection of Indian agriculture and allied sectors.
    - Greater transparency in trade negotiations.
    - Public disclosure of negotiation documents before signing the agreement.
    - Wider consultation with farmers and other stakeholders.
    - Assurance that agriculture will remain outside any market access commitments.
- Farmer organisations argue that preventive action is preferable to opposing the agreement after it is signed.
- **Economic Significance of the Debate**
- The controversy reflects the broader dilemma faced by developing economies in balancing trade liberalisation with domestic welfare.

What are the benefits and risks of the agreement?

- **Potential benefits of the agreement –** If negotiated carefully, the agreement may, expand exports, increase foreign investment, strengthen supply chains, improve access to advanced technologies, enhance bilateral economic cooperation and create employment opportunities in manufacturing and services.
- **Potential risks –** However, inadequate safeguards may result in, import surges, price volatility, reduced farm profitability, increased rural unemployment, greater dependence on imported agricultural commodities and social unrest in agrarian regions.
- Thus, the challenge lies in achieving a balanced outcome that promotes economic growth without undermining agricultural livelihoods.

What could be done?

- Ensuring transparent trade negotiations.
- Conducting extensive stakeholder consultations.
- Protecting sensitive agricultural sectors through calibrated tariff policies.
- Strengthening domestic agricultural competitiveness through higher productivity, better infrastructure, and improved market access.
- Expanding income support, crop insurance, and technological assistance for farmers.
- Enhancing export opportunities for Indian agricultural products while safeguarding vulnerable sectors.
- Such an approach would enable India to integrate with global markets without compromising food security or farmers' livelihoods.

What lies ahead?

- The protests against the proposed India–US Bilateral Trade Agreement underscore the deep sensitivities surrounding agricultural trade in India.

- While the Government has repeatedly assured that agriculture will remain protected, farmer organisations seek legally enforceable safeguards and greater transparency before any agreement is finalised.
- As negotiations continue, striking a balance between expanding international trade and safeguarding the interests of millions dependent on agriculture will remain a crucial policy challenge.
- A carefully negotiated agreement that protects India's strategic agricultural interests while promoting economic growth will be essential for ensuring inclusive and sustainable development.

References

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2. India Today| Protest over India-US Trade agreement