



Barriers to US-India Bilateral Trade

Time to develop joint narratives

India and the United States of America are making efforts to strengthen their trade and economic ties. In case of India, the on-going economic reforms show the level of commitment towards overall development in general and trade infrastructure in particular. Similar efforts on trade facilitation are being made by the United States. However, exporters of both the countries continue to face barriers in each other's market. This calls for developing joint narratives in specific areas of bilateral trade cooperation.

Introduction

In 2017, in gross value of trade, the United States' trade deficit with India was US\$29.155bn. However, over the last three years, there was hardly any change in this figure – US\$29.568bn in 2015 and US\$29.676bn in 2016.

More importantly, in terms of value added trade, this figure is likely to be much lower. In 2011, as per the OECD-WTO's Trade in Value Added database, as compared to US\$15bn deficit as per gross value of trade, in value added term, it was US\$4.8bn. Also, since 2003, the United States' trade deficit with India as per gross value of trade is showing an increasing trend, but in terms of value added trade, there is a declining trend.

The Trump Administration considers trade deficit as a leakage to its economy and, therefore, raising hell. In fact, it is not as data shows and, therefore, instead of talking about such a non-issue, both parties should make focused efforts to enhance their bilateral trade to the stated goal of US\$500bn a year. This will help them realise the big picture of their "economic and strategic partnership".

Barriers faced by the US exporters in India

As per the 2018 National Trade Estimate Report on Foreign Trade Barriers by the Office of the United States Trade Representative, major trade barriers faced by US exporters in India can be grouped under tariff, non-tariff, and domestic policy barriers.

In case of tariff barriers, a major problem is uncertain tariff regime in India along with high rates in case of some specific products which are of interest to the US exporters.

For example, in November 2017, India issued a customs notification announcing an immediate 50 per cent tariff increase on dried pea imports from an applied rate of zero.

Instead of gradually reducing its tariffs, India is raising that on many products. These include telecommunication equipment, high-tech ICT products, reverse osmosis membrane element for filters, roasted and/or salted cashew nuts, industrial solar water heaters, solar tempered glass for use in manufacture of solar cells/modules/panels, medical devices such as pacemakers, coronary stents & stent grafts, and surgical instruments among other medical devices. The new customs valuation method also raises the level of effective tariff rate.

As far as non-tariff barriers are concerned, there are procedural, regulatory and infrastructural barriers. According to the USTR (2018) report, the US exporters are facing too many procedural delays in getting permission to export in sectors where products have been categorized into restricted categories. Furthermore, there are numerous complexities in exporting to India, which are mainly due to excessive documentation and lengthy processing delays.

In case of regulatory barriers, there are sanitary and phyto-sanitary measures, measures under technical barriers to trade, and pre-shipment inspection and formalities. For example, as per the USTR (2018) report, the process of getting approval for imports of food products in India is not transparent which can lead to rejection of US food exports without any reason.

In regard to infrastructural barriers, the US exporters have concerns with sub-optimal testing infrastructure of India. Their specific concerns are related to the delays in testing their products in Indian laboratories.

Other than these barriers, the US exporters have expressed concerns about domestic policy decisions, which are creating hurdles to their exports to the Indian market.

Such concerns are mostly related to India's government procurement system, export subsidies, import licenses/quota resulting in excessive procedural and documentation requirements, application of laws related to intellectual property rights.

Barriers faced by Indian exporters in the US

The United States is demanding higher SPS and TBT requirements for its agriculture and manufacturing imports from India. For example, in order to continue its exports to the US market, regular up-gradation of production technologies is needed. This is particularly true for agricultural and allied products.

Similarly, under the agenda of fair trade, the US is demanding high level of reciprocity, specifically in patent laws and copyrights. The US has concerns with India's IPR laws.

Big pharmaceutical companies in the US are putting pressure on India to amend its patent laws to align them with those in the US. The threats of advanced rules and regulations are threatening Indian companies and forcing them to explore new markets.

Way Forward

Some suggestions recommended by the US exporters to eliminate/reduce barriers to enhance their exports to the Indian market are as follows:

- The WTO Trade Facilitation Agreement should be implemented on a priority basis as it will reduce trade time and cost.

- Detailed information on effective tariff rates should be available on a single platform.
- The scope for uncertainty should be reduced through lowering down the difference between bound and applied MFN (most-favoured-nation) tariff rates.
- India should improve existing sub-optimal infrastructure related to testing and inspection.
- India should enhance its capacity for science-based decision making to facilitate trade in biotechnology products.
- Policies related to government procurement should be non-discriminatory.
- Export subsidies in any sense should be avoided and there should be fair competition.
- US exporters want India to eliminate the import licensing requirements on majority of the products, particularly on boric acid.

Similarly, Indian exporters want more balanced application of SPS and TBT requirements for their exports to the US market. In respect to IPR laws, there are uncertainties about their applications in the US, which are to be addressed including taking into account India's socio-economic development needs.

As far as the suggestions recommended by the US exporters, India should look at their feasibility by taking into account the socio-economic structure of the Indian economy. On the other hand, India should improve its domestic regulatory environment on specific areas such as standards, intellectual property rights. For example, both countries should explore the possibility of having joint IPRs by their major companies doing trade with each other.

Finally, like the annual USTR report on foreign trade barriers, India should also prepare a similar one, highlighting specific opportunities and barriers faced by its exporters in major markets of its exports.

Mutual understanding of such opportunities and barriers will help India and its major trading partners to develop joint narratives in areas where there exists divergence in thoughts and perceptions.