



India-US Trade Policy Forum

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Why in News

Recently, after a gap of four years, the **Trade Policy Forum** (TPF) was convened between the United States and India. The Forum resolved to take economic ties between the two countries to the '**next high level**' and exchanged views on '**potential targeted tariff reductions**'.



Key Points

- **Aim:** To activate working groups of the TPF on **agriculture, non-agriculture goods, services, investment, and intellectual property** to meet frequently and address issues of mutual concern in a mutually beneficial manner.
The idea is to deliver tangible benefits to both countries by resolving outstanding market access issues.

- **Highlights of the forum:**

- **Mutual Market Access:** The Forum has decided to forge an agreement to **facilitate U.S. market access from India, and reciprocate with similar access** in the Indian market to many agriculture and animal products.
- **Restoration of the GSP:** India has sought restoration of the **GSP (Generalized System of Preferences)** benefits by the U.S.
- **Totalisation Agreement:** The Forum also agreed on the significance of negotiating a **Social Security Totalization Agreement** in the interest of workers from both sides.
 - A Totalization Agreement is a convention between two countries **preventing duplicate social security contributions** for the same income.
 - It would allow workers from both countries to move their retirement savings, the lack of which particularly affects Indian IT workers in the U.S.
- **Towards Rules-based Global Trading System:** India and the U.S. also discussed engagement in various multilateral trade bodies including the **World Trade Organisation (WTO)** and the **G20** for achieving a shared vision of a transparent, rules-based global trading system among market economies and democracies.

The Forum also decided to find mutually agreed solutions on outstanding **WTO disputes between the two countries**.
- **Ethanol Supply:** The U.S. indicated an interest in supplying ethanol to India for its goal of 20% **ethanol blending** with petrol by 2025.
- **Pharma Cooperation:** The two sides **decided to partner with allies in developing a secure pharmaceutical manufacturing base** and de-risk global supply chains in such critical sectors like health.
- **Services Front:** The Forum discussed ways in which legal, nursing and accountancy services can facilitate growth in trade and investment, and sought to work together on **electronic payment services** and the **digital economy**.
- **Collaboration in Critical Technologies:** Both countries recognise the importance of **critical and emerging technologies** like **cyberspace**, semiconductors, **Artificial Intelligence**, **5G**, and future generation telecommunications technology.
- **Climate Change:** Both countries exchanged views on approaches to increase the utilization of renewable energy to achieve **net-zero emissions**, as agreed in the **India – US Climate and Clean Energy Agenda 2030 Partnership**.

Way Forward

- **Initiating Tariff Removal:** The first step towards a potential deal is for **India to take the initiative and consider unilaterally removing its retaliatory tariffs**. This will represent India as willing to be a constructive player in trade talks.

Even though removing the tariffs without a commitment from the US is a leap of faith, it ultimately will be beneficial for the bilateral trade relationship.

- **Together Countering China:** From a strategic point of view, **one of the ways that India can counter China is through deepening trade ties with partners** who are committed to supporting India's growth.
 - A deal with the US will be beneficial for India, both strategically and economically.
 - As the US companies assess whether to shift some of their manufacturing from China, a vibrant trade strategy can complement the **Production-Linked Incentive (PLI) schemes**, and help to boost both manufacturing and exports.
- **Facilitating Digital Growth:** To promote further growth in the digital sphere, which represents over USD 100 billion of bilateral trade, the two must address several foundational issues; digital service tax, cross-border data flows and common cellular standards.

It's important that on the **digital services tax**, India accords with emerging global agreements that will accelerate trade.

Source: **TH**