

## FORTUNE

# It Looks Like Trump Has New Trade War Foes: India and Turkey

By GRACE DOBUSH March 5, 2019

In the latest maneuver in his war on trade deficits, President Donald Trump announced Monday his intentions to end preferential treatment for India and Turkey that allows billions of dollars' worth of exports to enter the U.S. duty-free.

The biggest beneficiary of the so-called Generalized System of Preferences, India exported [\\$5.6 billion](#) of products to the U.S. duty-free in 2017 thanks to the program, and Turkey was No. 5 on the list, importing \$1.7 billion of products duty-free.

Trump has frequently taken India to task for its tariffs on U.S. imports. "I am taking this step because, after intensive engagement between the United States and the government of India, I have determined that India has not assured the United States that it will provide equitable and reasonable access to the markets of India," Trump told congressional leaders in a [letter](#).

At the Conservative Political Action Conference on [Saturday](#), Trump said, "India is a very high-tariff nation. They charge us a lot. ... When we send a motorcycle to India, it's a 100% tariff. They charge 100%. When India sends a motorcycle to us, we brilliantly charge them nothing." Trump has mentioned India's 100% motorcycle tariff before, but in fact Indian President Narendra Modi [lowered tariffs on U.S. motorcycles from 75% to 50% in 2018](#).

And Turkey has now outgrown the system's incentives, Trump wrote in a separate [letter](#). "Increases in Gross National Income per capita, declining poverty rates, and export diversification by trading partner and by sector are all

evidence of Turkey's increased level of economic development," he wrote. "The United States remains committed to fair and reciprocal trade with Turkey."

Turkish President Recep Tayyip Erdogan has been on Trump's bad side for a while. In April 2018, Erdogan called for a [boycott on U.S. electronics](#) in an effort to support domestic phone makers; the Turkish lira went into a tailspin shortly thereafter.

Removing Turkey's and India's access to the [Generalized System of Preferences](#), an incentive from the 1970s meant to encourage economic growth in developing countries, will take effect 60 days after notification of Congress and the respective governments.

Reacting to the news, Indian Commerce Secretary Anup Wadhawan argued that the program gave India an actual benefit of just \$190 million annually.

"Discussions are on with the United States, and given cordial and strong ties, keeping retaliatory tariffs out of it," he told reporters. "The government will internally review the retaliatory tariff issue."

[Reuters reports](#) India's top duty-free exports to the United States in 2017 were motor vehicle parts, ferro alloys, precious metal jewelry, building stone, insulated cables and wires, but export-oriented industries such as pharmaceuticals and textiles are also likely to be affected.

The trade dispute may affect the election Indian Prime Minister Narendra Modi faces in April, the *Financial Times* reports. In the past year, Modi raised import tariffs on a variety of U.S. goods to support domestic manufacturing, which was a blow to American companies such as [Apple](#) and [Ford](#). It's worth noting that India's \$5.6 billion of duty-free exports to the U.S. in 2017 accounted for just over 11% of its \$48 billion total to the U.S. that year.

The U.S. Trade Representative's Office says trade debt with India totaled \$27.3 billion in 2017. *The Wall Street Journal* reports the Census Bureau will likely report that the U.S. registered its largest trade deficit ever in 2018 despite Trump's aggressive trade policies.

India, the world's largest democracy, is also a major emerging market. More than a third of India's 1.4 billion people are now [online](#), double the level of three years ago. Given that [Google](#) and other Western tech giants are essentially shut out of China, no other country offers a bigger opportunity to add hundreds of millions of users than India.

[Walmart](#) last year spent \$16 billion to acquire Indian e-commerce platform [Flipkart](#). But trade ties with the United States began to sour after India adopted new e-commerce rules restricting how Internet giants such as [Amazon](#) and Flipkart can do business in the country.