

Ministry of Commerce & Industry

12th India - USA Trade Policy Forum: Key Takeaways

Relevant to M&M – Auto, Agri Businesses

Introduction

The India-US TPF, which was established in 2005, last met in October 2017. It was later replaced by trade negotiations between the two parties. The focus on the TPF has resurfaced, with the Biden administration focused on fixing irritants first rather than pursuing a mini deal.

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. India and the United States (US) are ready to resurrect the Trade Policy Forum (TPF) after four years, in an effort to bolster trade and investment flows between the two countries.

Katherine Tai, US Trade Representative who was in India for a two-day visit, said she aimed to achieve progress in areas such as cross-border movement of goods and services, as well as ironing out market access restrictions and high tariffs, and these issues would be taken up on priority with India.

Objective

- 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

- **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.
- ✓ Tai cited India's "unpredictable" regulatory norms, high tariffs, and market access restrictions as major roadblocks to bilateral trade, emphasised America's continued interest in agriculture market access, and stated that the Joe Biden administration's approach to trade policy will be centred on "worker-centric" policies.
- ✓ India wants easier access to markets for mangoes and grapes. While the US seeks quid pro quo for cherries, pork products.
- ✓ India's pharmaceutical exports account for 40% of the generic pharmaceuticals supply in the United States, and Ms. Tai has allayed fears regarding regulatory inspections of pharma units in the United States.
- **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.

- **Fruits Exports:** India, US to work on ways to export mangoes, pomegranates to America. Both the countries are also looking forward to signing a system for the export of pomegranate arils from India to the US. To facilitate exports of mangoes and pomegranates from India, the US would finalise the transfer of the pre-clearance programme/regulatory oversight of irradiation for both the fruits to Indian authorities soon. Both the countries are also looking forward to signing a system for the export of pomegranate arils from India to the US. India intends to finalise the phyto-sanitary certification process which will allow the import of US cherries and alfalfa hay for animal feed into India. In addition, the US agreed to work to complete India's request for table grapes access to the US, and India agreed to work to finalise the mutually agreed export certificate to allow the importation of US pork and pork products.

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.

Bolstering ties | The Indo-U.S. Trade Policy Forum decides to take economic ties to the 'next high level'

 <p>MARKET ACCESS India seeks easier market access for its mangoes, grapes and pomegranates; U.S. seeks quid pro quo for cherries, pork products and alfalfa hay</p>	 <p>HOPE FOR IT WORKERS India, U.S. to restart talks on agreement to help professionals in both countries move statutory social security contributions back home</p>
 <p>ACTION PLAN Working groups on agriculture, non-agriculture goods, services will meet frequently</p>	 <p>POST-COVID PLAN Both sides to work with allies to secure pharmaceutical manufacturing base</p>

Reactions

Name of the Person	Organisation/ Industry	Reaction
Piyush Goyal	Commerce and Industry Minister, Govt of India	<ul style="list-style-type: none"> ○ In industries like the digital economy, services, health-related trade, and yes, even agriculture, our two countries have enormous growth potential. I'm hoping that our meetings will encourage both sides' business communities and investors to consider a higher level of involvement. Citizens in both countries are optimistic and hopeful about the India-US alliance. If the United States and India work together, we cannot only help each other but also the rest of the world to recover.
Nisha Biswal	President of the U.S.-India Business Council	<ul style="list-style-type: none"> ○ Based on my talks with both governments, I believe this will be a more foundational meeting. It's all about re-establishing some of the foundational and institutional processes, such as the TPF. The Biden administration has made it abundantly clear that it is currently focused on resolving and focusing on domestic competitiveness and the home economy, rather than on negotiating trade treaties. I believe it is a mistake to consider domestic competitiveness and the resurgence of the American economy as separate from negotiating trade agreements with our closest trading partners. ○ We believe that if the GSP programme is restored, India should be one of the primary partners and beneficiaries. I believe it is a win-win situation for both the US and India.
Mukesh Aghi	President of the USISPF	<ul style="list-style-type: none"> ○ Minister Piyush Goyal recently addressed the USISPF's annual general meeting, stating that India and the US should aim for a trillion-dollar bilateral trade target by 2030. The current value of our bilateral commerce is \$150 billion. Increased foreign investments from the United States are required to meet such a goal, and an early harvest transaction could help



		open the door for larger deals. We are encouraged to have US Trade Representative Katherine Tai in New Delhi, and we hope that the Trade Policy Forum (TPF) can create the groundwork for an early harvest agreement.
--	--	---