

Former AUSTR: Now is the ‘right moment’ to elevate U.S.-India trade ties

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The next U.S. administration should show greater ambition in trade negotiations with India, according to the Atlantic Council’s Mark Linscott, who says Washington must be willing to put market access on the table to grow economic ties with an increasingly important strategic partner.

U.S.-India trade relations, long marked by deep divisions in multilateral talks at the World Trade Organization, have taken some notable steps forward in recent years, Linscott said in an interview, citing the [resolution of several bilateral disputes at the WTO](#) under the Biden administration, among others. But such efforts, he argued, have fallen short of significantly transforming bilateral economic ties – and have not matched what he described as an increasingly salient strategic relationship.

Linscott, who served for decades at the Office of the U.S. Trade Representative, including as assistant USTR for South and Central Asia affairs, is a senior adviser with the US-India Strategic Partnership Forum, a non-profit organization formed in 2017 that advocates for increasing business ties between the two countries. He also is a senior adviser with the consulting firm The Asia Group as well as a nonresident senior fellow at the Atlantic Council.

He and Anushka Shah, manager for trade policy at USISPF, made a case for deepening trade relations with India in [an op-ed](#) published last week by the Hinrich Foundation. They called for a “reinvention” of U.S.-India trade relations that they contend could help address concerns about China.

“Over the last two administrations, China has consistently provided the foil against which the United States has reset its trade policies. India is mentioned considerably less,” they wrote. “In fact, the U.S.-India trade relationship languishes even as the broader bilateral strategic partnership responds to tectonic shifts in global geopolitical dynamics. The same forces make this partnership compelling as a basis for a reinvention of U.S. trade policy on India.”

Linscott in the interview said he wants to believe the next U.S. administration, regardless of the outcome of the upcoming election, will seize opportunities to boost the trade relationship.

“I am certainly engaging in hopeful or wishful thinking that there’s going to be more readiness to consider higher ambition negotiations with India,” he said. “I think this would be the right moment for that.”

Though U.S.-India bilateral trade levels are high – about \$200 billion annually – and growing, he and Shah argue that more significant steps are needed to contend with what they describe as “[p]ersistent trade restrictions on both sides,” including tariffs and non-tariff measures.

A key limiting factor in addressing those restrictions, they suggest, has been on the U.S. side.

“India has shown remarkable capacity to strike up new geostrategic and trade alignments, including with other developed economies from Europe to Australia as well as U.S. rivals such as Russia,” they wrote, adding that the U.S., meanwhile, “seems not to see trade agreements

with India as a key component of its national security. This atrophy benefits neither country.”

Linscott contended that new trade agreements concluded or under negotiation by India demonstrate a willingness by New Delhi to undertake ambitious commitments, citing as an example its inclusion, for the first time, of a chapter on government procurement in an agreement with the United Arab Emirates. A deal under negotiation with the European Union, meanwhile, suggests India is ready to negotiate with an advanced economy similar in many ways to the U.S., he contended.

“The fact that the EU is making the effort is, I think, encouraging in terms of the U.S. following that lead at some point in time,” Linscott said, while stressing that a U.S. approach need not take the form of an FTA negotiation.

He also said there was a strong appetite in India for deeper economic ties with the U.S.

“What is crystal clear is that there are many in the Indian government and among Indian stakeholders that ... would like to see a much bigger trade relationship between the U.S. and India,” he said, adding that “the missing piece is the readiness on the U.S. side to show that same desire to really take it to the next level.”

Indian Commerce and Industry Minister Piyush Goyal earlier this month said India wanted to elevate a recent memorandum of understanding with the U.S. on critical minerals into a critical minerals trade agreement, according to [a report](#) by The Economic Times. Such a deal, Goyal said, could serve as a “starting point” for an FTA.

Linscott and Shah suggest a “menu” of options for deepening trade ties with India, saying a “more ambitious” approach could be “incremental, comprehensive, or, most likely, something in between.”

An incremental approach, for instance, could build on “cross-sectoral” efforts underway via the India-U.S. Trade Policy Forum and then extend to sectoral work, potentially in areas like critical minerals, they write.

They note that Peter Harrell, a former National Security Council and National Economic Council official in the Biden administration, has argued the U.S. should [take a more sectoral approach](#) to its trade policy.

According to Linscott, such an approach could help limit political sensitivities that arise in comprehensive free trade agreement talks – and could facilitate negotiations on market access, which he argues are critical to securing ambitious outcomes including in areas like labor and environment.

“Our best leverage in negotiating really good things on environment in trade agreements was though FTAs with market access on the table,” he said, citing his experience as assistant USTR for environment and natural resources during the Bush and Obama administrations. “I don’t think that basic dynamic has changed.”

“The end game is not strictly market access,” he added, contending that broader agreements that include market access could be used to develop more resilient supply chains and address national security concerns – goals he noted have been priorities under the Biden administration.

India is party to three Commerce Department-led pillars – on supply chains, a clean economy and a fair economy – under the Biden administration’s Indo-Pacific Economic Framework for Prosperity. It is not party to a trade pillar led by USTR. Like other arrangements launched by the administration, IPEF does not include market access – an absence that Linscott, echoing numerous business stakeholders as well as some lawmakers in both parties, argued was a weakness. India

has said it might consider joining the trade pillar but has lamented a lack of market-access focus.

“I think the jury is out in terms of whether those will be game changers,” Linscott said of the IPEF agreements. “I definitely don’t think those kinds of approaches in IPEF will be more effective than if they were negotiated in a different context, meaning market access being on the table.”

Linscott contended that a second Trump administration likely would be open to seeking more expansive negotiations early on.

During the first Trump administration, the U.S. revoked India’s benefits under the Generalized System of Preferences and attempted to strike a broader bilateral trade deal. Those talks – which covered a large number of sectors, Linscott noted – came close to finalization but ultimately failed. Linscott had worked on the deal as AUSTR.

If the former president were reelected, he said, Trump’s campaign pledge to impose across-the-board tariffs might eventually lead the two sides to reopen talks on an agreement.

“Once that initial drama plays out,” he said, citing likely retaliation by U.S. trading partners to broad U.S. tariffs, “and the two sides – in this instance, the U.S. and India – come back to the negotiating table, that’s probably a scenario which at least starts with a lot of sectors on the table.” Such sectors likely would include services as well as goods, he added, highlighting “a lot of potential on the services front.”

Many Trump backers have said the former president could use blanket tariffs as negotiating tools.

How Vice President Harris, meanwhile, might approach trade if elected remains unclear, Linscott and Shah wrote, while contending that a fresh evaluation of U.S. trade policy toward India could be a good thing.

“Harris trade policy is clear as mud at this point, which actually is a positive, as a Harris administration could more objectively consider the strategic and economic benefits of negotiating a first-ever substantial trade agreement with India,” they said.

Whether the next administration takes a more incremental approach or a more ambitious approach, early on, to reducing trade restrictions with India, Linscott and Shah argue that “the goal of very real and meaningful change in the U.S.-India trade relationship does not necessarily require working toward a comprehensive free trade agreement.” Rather, they say, the U.S. might look to a deal negotiated with Japan under the Trump administration as a possible model.

“While this agreement has some features of an FTA by cutting tariffs between the two countries in several important sectors, it was never identified as an FTA, submitted to Congress for approval, or notified to the WTO,” they wrote, suggesting such a model “could be the future of U.S. trade negotiation, so long as a compromise could be worked out with the Congress on new tariff-cutting authority.”

Carbon border measures: A complicating factor?

Asked about how the steel sector might factor into bilateral dynamics, Linscott contended that U.S. trade restrictions on steel imports have not been a top concern for India in recent years.

India, the second biggest steel producer after China, challenged U.S. Section 232 measures on steel and aluminum imports at the WTO. That case, along with one launched by Washington over tariffs imposed by New Delhi in retaliation for the U.S. measures, was among the bilateral disputes that the two countries agreed to terminate last year. Under their resolution, the Section 232 duties remain in place – and the U.S. has not converted them into tariff-rate quotas, as it has for others, like the

European Union.

While the measures were a point of discussion during negotiations with India under the Trump administration, according to Linscott, he said he didn't "sense that there's been a very big push on the part of India to negotiate on that and get TRQs in place."

That "status quo" is likely to continue, he said, while adding there might be "more of an impetus" under the next administration to negotiate TRQs.

If the U.S., though, were to enact a carbon border measure – a tool some lawmakers have floated as a way to address emissions-intensive imports in steel or other industrial sectors – he said it could introduce significant new tensions.

Lawmakers in recent years have proposed several designs for carbon border measures, though none have gained significant bipartisan support.

"I think that would be a significant new source of tension on the trade front with India," Linscott said, while stressing that he believed prospects for such a tool to be "highly speculative." -- *Margaret Spiegelman* (m Spiegelman@iw pnews.com)