



Australian
National
University

Working Papers in Trade and Development

Trump's Trade War: An Indian Perspective

Prema-chandra Athukorala

January 2020

Working Paper No. 2020/02

Arndt-Corden Department of Economics
Crawford School of Public Policy
ANU College of Asia and the Pacific

This Working Paper series provides a vehicle for preliminary circulation of research results in the fields of economic development and international trade. The series is intended to stimulate discussion and critical comment. Staff and visitors in any part of the Australian National University are encouraged to contribute. To facilitate prompt distribution, papers are screened, but not formally refereed.

Copies are available at <https://acde.crawford.anu.edu.au/acde-research/working-papers-trade-and-development>.

Trump's trade war: An Indian perspective

Prema-chandra Athukorala

Arndt-Corden Department of Economics
Crawford Scholl of Public Policy
Australian National University
Canberra, ACT 2601
AUSTRALIA
Prema-chandra.athukorala@anu.edu.au

Abstract

This paper examines the implications of the Trump administration's U.S. trade policy on U.S.-India relations and the Indian economy against the backdrop of strengthening political and strategic ties between the two countries, which have been strong since the beginning of this century. Trump's strategy of using tariffs as the bargaining chip in bilateral economic relations with India, while ignoring mutual geopolitical interests, has coincided with new protectionist tendencies in India under the Make in India strategy of the Modi government, setting the stage for a protracted bilateral trade dispute. U.S. safeguard duties on steel and aluminum has taken a toll on India's exports of these products to the United States, but these products account for a tiny share of India's total exports to the United States. The hard hit was Trump's termination of India's designation as a beneficiary developing nation under the Generalized System of Preferences (GSP). The GSP abolition is likely to have a much more significant effect on the Indian economy as exports under the program are heavily concentrated in the traditional labor-intensive industries. However, given the handsome mandate received by the Modi government at the May 2019 election and that the next election is almost four years away, GSP abolition is unlikely to receive much weight in determining India's position in trade negotiations compared to the new protectionist policy stance stemming from the Make in India strategy. The WTO verdict on the U.S. complaint on India's manufacturing export subsidies, if upheld by the WTO Appellate body, would strengthen the U.S. position in negotiating a trade deal with India.

Key world: India, U.S. trade policy, U.S.-China trade conflict

JEL Codes: F13, F14, O19, O53

Forthcoming in *Asian Economic Papers*, 19(1), 2020

Trump's Trade War: An Indian Perspective¹

Prema-chandra Athukorala

Abstract

This paper examines the implications of the Trump administration's U.S. trade policy on U.S.-India relations and the Indian economy against the backdrop of strengthening political and strategic ties between the two countries, which have been strong since the beginning of this century. Trump's strategy of using tariffs as the bargaining chip in bilateral economic relations with India, while ignoring mutual geopolitical interests, has coincided with new protectionist tendencies in India under the Make in India strategy of the Modi government, setting the stage for a protracted bilateral trade dispute. U.S. safeguard duties on steel and aluminum has taken a toll on India's exports of these products to the United States, but these products account for a tiny share of India's total exports to the United States. The hard hit was Trump's termination of India's designation as a beneficiary developing nation under the Generalized System of Preferences (GSP). The GSP abolition is likely to have a much more significant effect on the Indian economy as exports under the program are heavily concentrated in the traditional labor-intensive industries. However, given the handsome mandate received by the Modi government at the May 2019 election and that the next election is almost four years away, GSP abolition is unlikely to receive much weight in determining India's position in trade negotiations compared to the new protectionist policy stance stemming from the Make in India strategy. The WTO verdict on the U.S. complaint on India's manufacturing export subsidies, if upheld by the WTO Appellate body, would strengthen the U.S. position in negotiating a trade deal with India.

¹ Revised version of a paper presented at the Asian Economic Panel Meeting, *The Global Trade System in Disarray: Fixing Design Flaws and Adjusting to a Multi-Polar War*, held at Sunway University, Kuala Lumpur, 29-30 March 2019. The paper has greatly benefitted from comments made by the two discussants, Sungbae An and Noor Aini Khalifah, and the other participants.

1. Introduction

During the first one-and-one half years of Trump's presidency, there was growing fear in policy circles of an impending global trade war. The fear seems to have dissipated during the ensuing months. Following the tariffs imposed on washing machines and solar panels in January and on steel and aluminium in March 2018, the subsequent rounds of tariff hikes have specifically focused on China in a much deeper strategic competition between the two countries. Even in the case of the U.S.-China trade dispute, the indications, following the meeting of Presidents Trump and Xi in December 2018 at the G20 meeting in Buenos Aires, are that both sides now want to restrain further tariff escalation. Notwithstanding Trump's early threat to terminate the North American Free Trade Agreement (NAFTA), the U.S. administration ultimately agreed to a negotiated agreement without major changes and has done the same with the free trade agreement (FTA) with South Korea (Irvin 2019). In September 2018, Trump even hinted that the United States might re-join the Trans-Pacific Partnership in response to the China-U.S. trade dispute (Swanson 2018). Three years into the Trump's presidency, so far only about 13 percent of total U.S. imports and 8 percent of U.S. exports (based on 2017 export value) have come under the U.S. tariff hikes and partner-country retaliatory tariffs, respectively (Amiti et al. 2019).

Although the fear of a trade war seems to have dissipated, Trump's 'America First' strategy has added fuel to the growing nationalistic and protectionist sentiment around the world. It has set precedence to other countries to raise their own trade barriers to retaliate or to use the Trump threat as an excuse for pursuing their own protectionist policies. Trump's professed goal to 'get a better trade deal' in trade negotiations and his repeated disdain of the World Trade Organization (WTO) inflict considerable damage to the post-World War international order in global trade that the United States has long worked to establish (Brown and Irvin 2019). The policy bargain with China on deep changes in the Chinese economy, including reduction of subsidies and other industrial policies facing domestic firms, have implications for reshaping global investment and trade patterns. There are already early signs of diversion of foreign direct investment (FDI) from China to the other countries. The

possible contractionary effect of the trade war on the Chinese economy will have adverse impact on exports from other countries to China.

The purpose of this paper is to assess the implications for India of the protectionist policy stance of the Trump administration. India is an ideal case study of the subject for two reasons. First, India faces the new U.S. protectionist threat against the backdrop of strengthening political and strategic ties between the two countries since the early years of this century. For over four decades from the time India achieved its independence in 1947, in American calculations, India assumed at best a second place in its foreign relations, with a series of ‘ups and downs’ (Kux 1993). However, the past two decades, starting with the George W. Bush’s administration, have seen a transformation of the Indo-U.S. relationship from estrangement to strategic partnership driven by the two countries’ shared concern about China’s growing geopolitical ambitions across both the Pacific and Indian oceans (Blackwill and Tellis 2019; Ladwig and Mukherjee 2019; Singh 2019). During this period, the United States specifically focused on forging a strategic alliance with India, without expecting India to reciprocate by consistently aligning its trade and investment policies with its own preferences. The United States pursued forging an alliance with India, without intervening in India’s domestic trade and investment policy and without attempting to influence India’s standing in relation to global trade policy issues. In bilateral trade with the United States, India continued to benefit from preferential market access under the U.S. GSP scheme and other ‘special and differential’ treatments accorded developing countries. In an article published ahead of Trump’s visit to India in June 2017, Prime Minister Modi emphasized that he was ‘confident in the growing convergence between our two nations’ (Modi 2017). The ongoing trade dispute between the two countries, therefore, helps shed light on the nature of the U.S. international relation-trade policy interface under the Trump administration. There are concerns in policy circles about whether the Trump administration’s obsession with bilateral trade deficits would disturb evolving strategic partnership between the two nations (Blackwill and Tellis 2019).

Second, unlike China and the other major trading nations, India faces Trump-triggered protectionism amidst domestic nationalistic tendencies for raising its own trade barriers, a

process that started well before Trump's inauguration. India's trade policy, which had been highly protectionist for three decades from the mid 1950s, became much more open after the advent of economic reforms in the early 1990s. However, there has been a notable reversal in the trade liberalization process under the 'Make in India' policy of the Modi administration. India, therefore, seems to hold lessons relating to the nature of the protectionist trade policy stance of a given country in its tariff bargain with the United States.

The paper has five sections. The next two sections set the stage for the ensuing analysis by providing an overview of the patterns of India-U.S.-China trade and recent policy trends in India. Section 3 discusses trade policy shifts under the Trump administration as they relate to India and India's policy posture. Section 4 examines the implications of the U.S. tariff hikes for India. The key findings are summarised in the final section.

2. India – U.S. trade

For more than two decades, the United States has consistently been India's largest export market. On the import side, China has been by far the largest source country, with the United States occupying 2nd or 3rd position. In 2018, total India exports to the United States amounted to US\$42.2 billion compared to imports from the United States of US\$ 22.3 billion, The comparable figures for China were US\$10.2 billion and US\$62.3 billion, respectively.²

Data reported in Table 1 compare the U.S.-India trade deficit with selected countries during 2000-18. The U.S.-India deficit recorded a three-fold increase. from about US\$ 7 billion in the early 2000s to over US\$ 20 (from 1.5 percent to 3.6 percent of the total deficit), during the past five years. The deficit with India still accounts for only about 8 percent of the massive deficit with China. However, in recent years, India's share in the total US trade

² Data reported in this paragraph are from Government of India (2019), Statistical Appendix. The data are based on the Indian financial year (April – March).

deficit has exceeded that of South Korea and Taiwan with which the US had run significant trade deficits during previous decades. Presumably, these developments on the trade front have underpinned ‘deficit-obsessed’ Trump’s emphasis on market access issues relating to trade with India.

Table 1 about here

Traditional labor-intensive products such as cut-and-polished diamond, jewelry, wood product, porcelain wear, apparel and some foodstuffs dominate the commodity composition of exports from India to the United States (Table 2). The palpable shift in the composition of world manufacturing trade away from such traditional products (products based on ‘horizontal specialisation’ produced within national boundaries of a given country) and towards products (parts and components, and final assembly) exchanged within global production networks has not (yet) been reflected in India’s export mix (Athukorala 2018). In other words, unlike the Japan, China and the other dynamic East Asian countries, Indian manufacturing is not closely interlinked with the U.S. economy through global production sharing. This could perhaps make India an easy target of Trump’s penchant for protection because there would not be a strong domestic lobby against such protectionist threats.³

Table 2 about here

³ There are indeed indications that ongoing process of global production sharing plays a significant role in the trajectory of the trade war. A major reason for retreating from the proposed threat to dismantle the NAFTA was that U.S. manufacturing was to incur losses because of the intertwined nature of auto supply chain. (U.S. automotive imports from Mexico contain 40 percent U.S. content, and imports from Canada 25 percent U.S. content (Gereffi 2018). The same reason could explain Trump’s lack of audacity to go ahead with the 25 percent duty on autos and auto part (Ghemawat 2017; Irvin 2019). In a context where an ever increasing share of world manufacturing production and trade takes place within global production networks, state borders define less and less the boundaries of corporate thinking or practice that influence national trade and investment policy.

3. Indian trade policy

Economic liberalization reforms initiated in India in 1991 marked a clear departure from the country's state-led inward-oriented developed strategy pursued over three decades after gaining independence in 1947. Over the next one-and-half decades, gradual opening of the economy to trade and investment was a continuous process under successive governments (Ahluwalia 2018). By the early 2000s, India had eliminated quantitative restrictions on imports, retaining only a few items on the prohibited or under licensing list for health and strategic reasons. The trade-weighted average tariffs has come down to 6.3 percent from over 45 percent in the early 1990s.

There has been a notable departure from this policy stance under the Modi government's 'Make in India' program launched on 25 September 2014 with the aim of 'making India a global hub for manufacturing, research and innovation and integral part of the global supply chain' (Government of India 2018, p. 126). In contrast to the economy-wide focus of the liberalization reforms initiated in the early 1990s, the development strategy under this program involves targeting trade protection and government subsidies to specific sectors/industries. The sectors that have been earmarked for specific focus include capital goods, auto and auto components, biotechnology, pharmaceuticals and medical devices, chemicals, electronic systems design and manufacturing, leather and footwear, textiles and apparel, food processing, gems and jewellery, new and renewable energy, construction, and shipping and railways. The proposed policies include production subsidy schemes for textile and apparel, leather, and gems and jewellery sectors and infrastructure relating to trade logistics.

The past three years have seen some tariff increases and introduction of financial incentives to support selected industries that are mostly domestic-market oriented (Sharma, 2015; Khanderia, 2018). In December 2017, a special package for promoting employment generation in leather, footwear and jewellery, and credit guarantee and credit-linked capital subsidy schemes for several other sectors was introduced. The other initiatives taken during

the past two years to support selected sectors/industries included tax concessions for exporters, a self-ratification based duty rebate scheme for export-producing firms, abolishing import duties on second hand goods imported for the purpose of repair and refurbishment, and new e-commerce rules restricting operations of internet-based trading companies.

The Union Budget 2018 proposed increase in import duties by 5 percent to 15 percent on a wide range of manufactured products including mobile phones, parts and accessories of mobile phones, TV parts, processed foods, silk fabrics, footwear and footwear parts, automobile and automobile parts, diamonds, precious stones and jewellery.

On the international front, in 2017 the government of India decided to withdraw from the on-going WTO negotiations to broaden the coverage and scope of the International Technology Agreement (ITA)⁴. The communique issued by the Department of Commerce announcing the GOI's decision to opt-out for ACT-2 stated that, India's experience with the ITA has been most discouraging, which almost wiped out the IT industry from India. The real gainer from the agreement has been China, which raised its world market share from 2 percent to 14 percent between 2000 and 2011. ... In light of the recent measures taken by the government to build a sound manufacturing environment in the field of electronics and information technology, this is the time for us to incubate our industry rather than expose it to undue pressure of competition.⁵

⁴ The ITA was concluded at the WTO ministerial meeting in Singapore in 1996, and came into effect on 1 July 1997 with India as one of the founding signatories. Tariff cuts under the agreement has so far covered over 90 percent of designated information technology products in world trade. The decision to renegotiate the ITA, in the form of ITA-2, was made at the WTO Ministerial Conference in Nairobi in July 2015 in order to bring under the agreement new products emerged after the ITA-1 was negotiated (Jung & Hufbauer, 2015)

⁵ <http://commerce.gov.in/PageContent.aspx?Id=64> (Accessed 17 June 2018)

India has already imposed customs duties on some products covered by the ITA-1. At a recent meeting of the WTO Council for Traded Goods (3-4 July 2018) the United States, China, the EU, Japan and Norway expressed concerns about these duty increases ICT (WTO 2018).

India's current MFN average tariff rate (17.1 percent) is the highest among countries that have so far appeared in the list of Trump's tariff concerns (Table 3). At the individual product level, India has kept bound tariffs throughout at much higher levels compared to the MFN rates. This reflects the ample policy space India has for reversing liberalization selectively without violating its WTO commitments.

Table 3 about here

4. Trump's tariffs and India's response

Trump's first move on the tariff front was the proclamation issued on 23 January 2018 imposing safeguard tariffs on U.S. imports of solar cells and panels, and washing machines and parts under Section 201 of the Trade Act of 1974, effective 7 February 2018 (Brown and Kolb 2019). These two products groups covered \$8.5bn and \$1.8 billion, respectively, of U.S. imports in 2017. These tariffs were in accordance with the WTO Agreement on Safeguards, and therefore had no effect on imports from India. Under the WTO Agreement on Safeguard Measures, these tariffs do not apply to a products originating in a developing-country WTO member as long as its share of a given product does not exceed 3 percent and total imports from developing country members do not collectively account for more than 9 percent of the total US imports of the product concerned.

On 8 March 2018, the U.S. administration announced a 25 percent tariff on all U.S. steel imports and 10 percent tariffs on all US aluminium imports under Section 232 of the Trade Expansion Act of 1962 (on national security concern), effective 23 March 2018 (Brown and Kolb 2019). Unlike the safeguard tariffs, these tariffs apply to all countries unless exempted by presidential order. In the process of tariff bargaining during the next two months some

other countries were excluded from, and some others were brought back, under the coverage of the new tariffs. Imparts of both products from India have been subject to the new tariffs from the beginning.

Six countries - Canada, China, EU, Mexico, Russia and Turkey- introduced retaliatory tariffs on imports from the United States worth \$121 billion during the next three months (Amity et al. 2019). Japan notified the WTO of its intention to impose retaliatory tariffs, but so far, it has not provided specific information regarding the scope or timing of its retaliatory measures (USITC 2019). On 1 April 2018, India notified to the WTO of imposing retaliatory tariffs on 29 products (at the 8-digit level of the Harmonised System, HS) worth \$1395 million of imports from the United States⁶ with effect from 17 December 2018. Proposed tariff increases were within the bound rates India had declared under its WTO commandments (WTO 2018). The increases ranged from 10 percent to 20 percent, with the majority clustering at the lower end. Overall, the retaliatory tariffs declared by India were mere symbolic: the products amounted to a mere 6.3 percent of total India's imports from the United States (0.3 percent of India's total imports) in 2017. At the individual commodity level, only almonds, which accounted for 42 percent of the listed products, had any economic significance for the United States. India is the biggest market for U.S. almonds exports. In 2017, India accounted for 54 percent of \$1079 million almond exported from the United States.⁷

On 4 March 2018, Trump announced his intention to end GSP to India under Section 502(f)(2) of the Trade Act of 1974. In the letter to the Speaker announcing this decision, the

⁶ The full list of products with the proposed tariff rates is available at https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?language=E&CatalogueIdList=246009,245254,241636,241147,233546,233468,231809,230637,228542,228498&CurrentCatalogueIdIndex=0&FullTextHash=&HasEnglishRecord=True&HasFrenchRecord=False&HasSpanishRecord=False

⁷ Calculated from data extracted available at <https://dataweb.usitc.gov/trade/>

President stated that ‘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’.⁸ As a developing country, India has been eligible to U.S. GSP concessions since the program came into effect in 1972. The GSP programs are unilateral initiatives of individual developed countries. The government of each country determines the eligibility of a country for trade concessions and exclusion of certain products from the GSP list. The U.S. decision takes 60 days to become effective after notification to the congress and the representative governments.

In the lead-up to making this announcement, Trump had repeatedly called out India for its high tariffs, and labeled India ‘the tariff king’. He made the decision to remove India from the GSP eligibility list based on a review undertaken by the Office of the U.S. Trade Representative based on Trump administration’s new SPS country eligibility assessment process and two GSP country eligibility petitions submitted to the USTR (USTR 2008). The two petitions, which according to the USTR report propelled the review, came from representative of the U.S. dairy industry and medical device industry that they face a wide array of trade barriers in accessing the Indian market. Subsequently, other concerns were added to the list, including India’s allegedly lax local content rules, rules mandating data localization, and India’s changes to FDI rules relating to e-commerce (Dobush 2019).

On 14 March 2019, the U.S. Trade Representative requested the WTO for dispute settlement consultations with the Government of India on export subsidies granted to firms under the incentive schemes (discussed in the previous section) introduced by the Modi government as part of the Make in India program. This is the first complaint of this nature filed by the United States with the WTO against India since 2013. The communique issued requesting consultation stated that ‘These export subsidy programs harm American workers by creating an uneven playing field on which they must compete’ and that ‘according to Indian Government documents, thousands of Indian companies are receiving benefits totaling over \$7 billion annually from these programs’ (USTR 2019). Consultations are the first step in

⁸ (<https://publicpool.kinja.com/subject-text-of-a-letter-to-the-speaker-of-the-house-o-1833048872>)

the WTO dispute settlement process. As the United States and India failed to reach a mutually agreed solution through consultations, the United States may request the WTO to establishment a dispute settlement panel.

The new steel and aluminum tariffs and termination of GSP concessions, dashed India's expectation that it would be treated favorably in the trade war because of the 'strategic partnership' between the two countries.⁹ After many delays in searching a negotiated settlement on these issues, on 15 June 2019 India introduced the proposed retaliatory tariffs on 28 products imported from the United States (all products on the original list other than artemia (HS 5119911)).

Following the meeting of Trump and Modi at the G-20 Summit in Osaka in June 2019, the two countries have begun discussions on what Trump called 'a very big trade deal'. There was speculation in the media that an agreement could be signed during Modi's visit to the United States in late September 2019, but this did not materialize. After the meeting with Modi on 24 September in New York, Trump announced that a 'mini-deal' would be signed very soon pending a 'large deal' to be negotiated later (Chowdhury and Sunega 2019). The contents of the upcoming trade deals remain unclear, but according to the policy debate so far, the main items on India's list are exemption from steel and aluminum tariffs and restoration of GSP concessions. India is also concerned about the widening of eligibility criteria recently imposed by the United States on issuing H1-B visa, which creates difficulties for Indian nationals to take specialized jobs in the United States. The United States, for its part, wants India to address a range of issues relating to US access to the Indian market. These include removing tariffs introduced by the Modi government on manufactured good as part of the 'Make in India' strategy, reducing tariffs and other barriers to agricultural trade, removing price controls on medical devices, removing restriction on foreign

⁹ In an article published in preparation of Trump's visit to India in June 2017, Modi emphasized that he was 'confident in the growing convergence between our two nations' (Modi 2017). Trump had assigned a central role to India in his vision for advancing a 'Free-and Open Indo-Pacific' region (USDS 2018).

companies involved in e-commerce. Relating to the broader issue of tariff reforms, Wilbur Ross, The U.S. Commerce Secretary, emphasized at the India Economic Summit organized by the World Economic Forum (3-4 October 2019): ‘ India is one of the most protectionist countries ... [and the U.S. is] ... looking to level the playing field’ (Seth 2019). So far, the Indian government has not stated its position on these issues. Given the handsome mandate received by the Modi government at the May 2019 election and the next election is almost four years away, GSP abolition and steel and aluminum tariffs is unlikely to receive much weight in determining Indian government’s position in trade negotiations compared to the new protectionist policy stance stemming from the ‘Make in India’ program.

On 31 October 2019, the WTO dispute settlement panel, which was set up to investigate the U.S. complaint on unfair industry assistance, decided in the U.S.’s favor. The dispute panel rejected India’s claim that it is exempted from the prohibition on export subsidies under the Special and Differential Treatment provision of the WTO Agreement on Subsidies and Countervailing Measures. Based on this verdict, the panel called on India to withdraw within a period of 90 to 180 days export subsidies (amounting to about US\$7 billion) granted to manufacturers in the form of exemptions from customs duties and national taxes. India is likely to appeal the ruling before the WTO Appellate body (Financial Times 2019). If the appeal were unsuccessful, this WTO verdict would strengthen the U.S. position in negotiating the trade deal with India.

Finally, what has been India’s response to possible import-competition threat from China following the tariff introduced by the United States on Chinese imports?

Alleged unfair competition from ‘cheap’ Chinese imports was a major concern expressed by Indian manufactures in the national trade policy debate ever since the emergence of China as an export powerhouse. According to media reports, this concern has gained force following the onset of Trump’s trade war against China.

The Government of India has often resorted to anti-dumping provisions under the WTO to address such complains. India tops the list of anti-dumping cases reported to the WTO during

1995-2016: of a total of 5286 cases, India accounted for 839 followed by the United States (606) and EU (493). China was the sole or one of the complainants of over two-thirds of the Indian cases. On 9 August 2018, India initiated countervailing investigation on imports of welded stainless-steel pipes and tubes from China and Vietnam. This was followed by imposing anti-dumping duties ranging from \$ 44.89 to \$185.51 per ton for a period of up to five years on a much wider range than before of Chinese steel products (WTO 2018). While there is no specific evidence to link this duty increase with the trade war, the coincidence of the timing and the wider product coverage suggest a retaliatory response to possible diversion of Chinese exports from the U.S. to Indian markets.

5. Economic implications

Data on U.S. imports of product subject to 23 March 2018 tariff increases are summarised for total imports, imports from India and selected major source countries in Table 4. The Table covers data for the last two quarters of 2016, 2017 and 2018 to allow for the timing of tariff hike, possible time lag involved in importers response, and seasonal effects. The data clearly indicate contractionary impact of the tariff hike, even though there is no indication of full pass-through of tariffs into trade flows.

Table 4 about here

The growth rate of U.S. steel imports contracted from 20.1 percent between 2016 July-Dec, to 6.7 percent in 2017 July-Dec. The comparable figures for articles of iron and steel are 20.6 percent to 8.0 percent. In the case of aluminium, the rate of increase between 2017 July – December and 2018 July – Dec. was negative (-0.2) compared to a rate of increment of 22.4 percent between 2016 July – Dec. and 2017 July-Dec. However, at the individual country level, the degree of changes in import flows varies notably reflecting country-specific factors, presumably including long-term contractual obligations among trading firms and possible ‘pricing-to-market’ effect (absorption of part of tariff increases into profit margins by exporters). Interestingly, articles of steel imports from China increased at a faster rate (18.9 percent) between 2017 July-Dec. and 2018 July-Dec. compared to the same period

in the previous two years (8.0 percent), and the rate of decrease in growth rates of the other two products is much smaller compared to imports from the other countries. Imports from Australia, the only country remained exempted from new tariffs, has consistently shown much higher rates of increase compared to that of total imports.

India is one of the worst affected countries. Imports of steel from India contracted by 33.7 percent between 2017July-Dec and 2018July-Dec. compared to a 21.4 percent in the previous year. For articles of steel, the contraction was from 52.0 percent to -11.1 percent. In the case of aluminum and aluminum products, the rate of increase in imports plummeted from 167.9 percent to 20.4 percent. This point is consistent with the findings of Brown et al. (2019) that smaller exporting nations are generally more susceptible to the tariff war compared to the larger counterparts, presumably because contractual obligations between importing and exporting firms are much weaker.

What would be the impact on India of GSP abolition by the U.S. administration? Overall, Imports under the GSP scheme accounts for only tiny share of total merchandise imports for the United States, and even that share has continuously declined over time (0.9 percent in 2018 compared to about 1.3 in the previous decade) (Table 5). However, the GSP scheme covers a significant share of imports from India (about 12 percent), even though the share is now almost half of what it was during the previous decade. India is by far the largest recipients of the U.S. GSP concessions, accounting for more than a fourth of total imports under the GSP program.

Table 5 about here

These figures suggest that GSP abolition is likely to have a much more significant effect on Indian exports to the United States compared to import duty increases (Thakker 2018; Dobush 2019). Of course, further analysis using firm level data on actual utilisation rates is needed to precisely estimate the actual trade effect because not all exporters of products classified under the GSP program may actually depend on GSP concession for their competitiveness in the U.S. market. Some exporters of these products may not utilise the

program because of the administrative costs/delays involved in obtaining the required rules of origin certification given that GSP concession rates not large enough to cover even the cost.¹⁰

The disaggregated data reported in Table 6 show that the GSP coverage is much larger for traditional labor-intensive products such as prepared food and vegetable, ceramics and glass wear, wood products, leather goods, plastic products and jewellery.¹¹ Some of these products have a strong rural base. Most of these products belong to industries identified by the Indian government for employment promotion.

Table 6 about here

Have the U.S. tariffs on China had any impact of India's trade with China? The required data are not yet available to address this issue. However, as discussed, there is growing concern in India that this could add to the competition Indian manufacturers had already been facing from imports from China.

Finally, does India have the potential to benefit from FDI diversion from China within global production networks? Although the overall export performance has improved significantly after the liberalization reforms initiated in 1991, India still accounts for only 2.2 percent of world exports (China: 17 percent). India's share of manufacturing exports from developing countries increased from 2.5 percent in 1995 to 3.5 percent in 2010, but has since hovered around this level for the ensuing years. There is evidence that by far the most important

¹⁰ Duty concessions varies between 1 percent to 4.5 percent among products at the HST 10-digit level.

¹¹ Gems and jewelry industry employed about 2.1 million persons in 2011-12 (Government India 2008).

reason for India's lacklustre export performance is its failure to cash in on the rapid expansion of network trade and the dramatic shift in trade within production networks from developed to developing countries. India comparative export performance has been particularly weaker in electronics and electrical goods, which account the lion's share of total world network exports (Joshi 2017; Athukorala 2018).

On January 2019, Foxconn Technologies, the world's largest contract manufacturer of electronics and the biggest assembler of Apple products, announced to invest \$356 million dollars to renovate and expand its plant (which was assembling mobile phones for Nokia, but has been closed down) in Sriperumbudur, Chennai to assemble high-end iPhone for Apple (Volodzko 2019). The plant will be assembling high-end iPhone for Apple, including Apple's flagship phone, the iPhoneX. Another Taiwanese firm, Wistron, that assembles lower-end Apple models such as iPhone 6S, has decided to build a plant in Bengaluru, Chennai.

These new investment projects have sent out a glimmer of hope that shifting production based out of China could help India to regain missed opportunities in reaping gains from global production sharing. However, much depends on India's ability to complete the unfinished reform agenda, encompassing both trade and investment policy reforms and 'behind-the-border' reforms. Arguably, policies so far announced under the Make-in-India mission, including the decision to opt-out of the on-going WTO negotiation on extending the product coverage and scope of the Information Technology Agreement seem to hark back to the old control regime, which served to marginalize India in the world economy for over four decades (Ahluwalia 2019; Athukorala 2018).

6. Concluding remarks

India faces the new U.S. protectionism of the Trump administration against the backdrop of strong political and strategic ties between the two countries driven by a shared concern about China's growing geopolitical ambitions across both the Pacific and Indian oceans. From the early years of this century, successive US administrations focused on forging a strategic alliance with India, while acknowledging India's right to go its own way in relation to its own trade and investment policy and without attempting to influence India's standing in relation to global trade policy issues. In bilateral trade with the United States, India continued to benefit from preferential market access under the U.S. GSP scheme and other 'special and differential' treatments accorded developing countries. Trade policy in the Trump administration has made a clear departure from this pragmatic policy stance. It emphasizes reciprocity in tariff bargain, focusing less on India's potential as a strategic partner and its 'developing-country statuses' in the WTO-centred world trading system.

Trump's strategy of using tariffs as the bargaining chip in bilateral economic relations has coincided with new protectionist tendencies in India under the Make in India strategy of the Modi government, setting the stage for a protracted bilateral trade dispute. The two countries now face the arduous task of moving forward an agreement that reconciles Trump's 'America First' tariff bargain and Modi's 'Make in India' policy emphasis, while keeping an eye on shared concern about China's growing geopolitical ambitions across both the Pacific and Indian Oceans.

U.S. safeguard duties on steel and aluminum have hit hard India's exports of these products to the United States, but these products account for a tiny share of India's total exports to the United States. GSP abolition announced in March 2019 is likely to have a much more significant effect on India: India has been by far the largest beneficiary under the U.S. GSP program; Indian exports under the program are heavily concentrated in the traditional labor intensive products. Given the handsome mandate received by the Modi government at the May 2019 election and the next election is almost four years away, GSP abolition is unlikely to receive much weight in determining the Indian government's position in trade

negotiations compared to the new protectionist policy stance stemming from the Make in India strategy. The WTO decision on the U.S. complaint on unfair manufacturing export subsidies of India, if upheld by the WTO Appellate body, would strengthen the U.S. position in negotiating a trade deal with India.

FDI diversion from China triggered by the U.S.-China trade conflict and the wider strategic dialogue had sent out a glimmer of hope for India to regain missed opportunities in reaping gains from global production sharing. However, the outcome would depend on India's ability to complete the unfinished reform agenda, encompassing both trade and investment policy reforms and 'behind-the-border' reforms. Unfortunately, the protectionist policy stance of the Modi government under its Make in India strategy is not consistent with these reform prerequisites.

References

- Ahluwalia, Montek S. 2019. India's Economic Reforms: Achievements and Next Steps. *Asian Economic Policy Review*, 14(1), 46-62.
- Amiti, Mary, Stephen J. Redding, and David Weinstein. 2019. The impact of the 2018 trade war on US prices and welfare. *National Bureau of Economic Research Working Paper 25672*. Cambridge, Mas: National Bureau of Economic Research.
- Athuikorala, Prema-chandra. 2018. Joining Global Production Networks: Experience and Prospects of India. *Asian Economic Policy Review*, 14(1), 1-21,
- Blackwill, Robert D. and Ashley Tellis . 2019. The India divided: New Delhi remains Washington's best hope in Asia', *Foreign Affairs*, 98(5), 173-183.
- Bown, Chad P., Euijin Jung and Eva Zhang. 2018. 'Trump's Steel Tariffs Have Hit Smaller and Poorer Countries the Hardest', Trade and Investment Policy Watch, Washington DC: Peterson Institution for International Economics, November 15.<https://piie.com/blogs/trade-investment-policy-watch/trumps-steel-tariffs-have-hit-smaller-and-poorer-countries>.

- Bown, Chad P. and Douglas A. Irwin. 2019. 'Trump's assault on the global trading system: And why decoupling from China will change everything', *Foreign Affairs*, 98(5): 125-136.
- Brown, Chad and Melina Kolb. 2019. Trump's Trade War Timeline: An Up-to-Date Guide. *Trade and Investment Policy Watch*, Peterson Institute of International Economics, 1 December 2018, <https://piie.com/blogs/trade-investment-policy-watch/trump-trade-war-china-date-guide>.
- Chaudhury, Diplanjan Roy and Kirtika Suneja . 2019. Trade Deal with India Soon: Donald Trump, *The Economic Times*, 25 September [.https://m.economictimes.com/news/economy/foreign-trade/us-to-soon-have-trade-deal-with-india-donald-trump/articleshow/71282879.cms](https://m.economictimes.com/news/economy/foreign-trade/us-to-soon-have-trade-deal-with-india-donald-trump/articleshow/71282879.cms)
- Dobush, Grace. 2019. It Looks Like Trump has new trade war foes: India and Turkey. *Fortune*, 5 March. <http://fortune.com/2019/03/05/trump-trade-war-india-turkey/>
- Financial times. 2019. WTO rules that India violated global trade rules. 6 November. <https://www.ft.com/content/66e5b84e-fc06-11e9-a354-36acbbb0d9b6> (acced on 7 November 2019).
- Gereffi, Gary. 2018. 'Protectionism and Global Value Chain' in Garry Gereffi, *Global Value Chains and Development: Redefining the Contours of 21st Century Capitalism*, Cambridge: Cambridge University Press, Chapter 25, 429-442
- Ghemawat, Pankaj. 2017. Globalization in the age of Trump. *Harvard Business Review* 95(4): 112-123.
- Government of India. 2019. *Economic Survey 2018-19*, Delhi: Ministry of Finance, Vol. 2, <https://mofapp.nic.in/economicsurvey/economicsurvey/index.html>
- The Hindu*. 2018. Government imposed anti-dumping duty on certain steel products from China', 19 October.
- Irwin, Douglas A. 2017. The False Promise of Protectionism: Why Trump's Trade Policy Could Backfire. *Foreign Affairs* 96: 45 - 52.
- Irvin, Douglas. 2019. Understanding Trump's Trade War. *Foreign Policy*, Winter, <https://foreignpolicy.com/gt-essay/understanding-trumps-trade-war-china-trans-pacific-nato/>
- Joshi, Vijay. 2017. *India's Long Road*, Oxford: Oxford University press.

- Jung Euijin & Gary Hufbauer. 2015. ITA-2 success in Nairobi. Peterson Institute for International Economics. Accessed 2 July 2018. Available from URL:, <https://piie.com/blogs/trade-investment-policy-watch/ita-2-success-nairobi>
- Khandera Saloni. 2018. The Information Technology Agreement and the ‘Make-in-India’ initiative. *Foreign Trade Review*, 53 (2): 81-97.
- Kux, Dennis. 1994. *Estranged Democracies: India and the United States, 1941-1991*. New Delhi: Sage
- Lardy, Nicholas. 2019. Are Foreign Companies Really Leaving China in Droves?’. *China Economic Watch*, Washington DC: Peterson Institute for International Economics, <https://www.piie.com/blogs/china-economic-watch/are-foreign-companies-really-leaving-china-droves>
- Ladwig, Walter C. and Amit Mukherjee. 2011. India and the United States: The contours of an Asian relationship. *Asian Policy* 14(1): 3-18.
- Modi, Narendra. 2017. For the U.S. and India, a Convergence of Interests and Values, *Wall Street Journal*, June 25.
- Office of the United States Trade Representative (USTR). 2019. United States Lanches WTO Challenge to Indian Export Subsidy Programs March 14., <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/march/united-states-launches-wto-challenge>
- Office of the United States Trade Representative (USTR). 2018. USTR announces new GSP eligibility review of India, Indonesia, and Kazakhstan’, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/april/ustr-announces-new-gsp-eligibility>
- Sharma, Mihir S. 2015. Make in India, yet unmade. Accessed 17 June 2018. Available from URL: http://www.india-seminar.com/2015/675/675_mihir_s_sharma.htm
- Seethi, K.M. 2019. A New ‘Washington Consensus’: Indo-Pacific and India’s Emerging Role. *Economic and Political Weekly*, February 23, 1-10.
- Seth, Dilasha. 2019. ‘India has opportunity to gain from US-China trade war: Wilbur Ross at WEF, Business Standard, October 4. https://www.business-standard.com/article/international/trade-deal-with-india-quickly-us-commerce-secretary-wilbur-ross-at-wef-119100301461_1.html

- Shea, Dennis. 2018. US Statement at the Trade Policy Review of the People's Republic of China. US Mission Geneva, 11 July 2018, <https://geneva.usmission.gov/2018/07/11/u-s-statement-at-the-trade-policy-review-of-the-peoples-republic-of-china/>.
- Singh, Sinderpal. 2019. The Indo-Pacific and India-U.S. Strategic convergence: An Assessment. *Asia Policy*, 14(1), 77-94.
- Swanson, Ana. 2018. Trump proposed Rejoicing Trans-Pacific Partnership. *New York Times*, April 12, <https://www.nytimes.com/2018/04/12/us/politics/trump-trans-pacific-partnership.html>
- Thakker, Aman. 2019. The US GSP Decision: Risks to US-India Relations and Upsides for China. *The Diplomat*, 6 March. <https://thediplomat.com/2019/03/the-us-gsp-decision-risks-to-us-india-relations-and-upsidess-for-china/>
- U.S. Department of State (USDS). 2018. Advancing a free and open Indo-Pacific region. November 18. <https://www.state.gov/r/pa/prs/ps/2018/11/287433.htm>
- U.S. Trade Representative (USTR), 2019. India: Export Related Matters. Washington DC: Office of the USTR. <https://ustr.gov/issue-areas/enforcement/dispute-settlement-proceedings/wto-dispute-settlement/pending-wto-dispute-39>.
- Volodzko, David. 2019. Apple's India Move is Risky, but better than facing Trump's trade war. *Forbes*, 17 January. <https://www.forbes.com/sites/davidvolodzko/2019/01/17/will-apple-become-the-trade-wars-next-victim/#7c4c74fa3617>
- WTO. 2018. Report on G20 Trade Measure, Mid-May to Mid-October 2018, https://www.wto.org/english/news_e/news18_e/g20_wto_report_july18_e.pdf
- WTO. 2019. *World Tariff Profiles 2019*, Geneva: WTO.

Table1: US trade deficit: bilateral deficits with selected countries and the total deficit, 2010-2018 (US\$ billion)

| | Korea | China | Japan | Mexico | Taiwan | India | Total |
|------|-------|--------|-------|--------|--------|-------|--------|
| 2000 | -12.4 | -83.8 | -81.3 | -24.2 | -16.1 | -7.0 | -436.5 |
| 2001 | -13.0 | -83.0 | -69.0 | -29.9 | -15.2 | -6.0 | -410.9 |
| 2002 | -13.0 | -103.1 | -70.1 | -37.2 | -13.8 | -7.7 | -470.3 |
| 2003 | -12.9 | -124.0 | -66.0 | -40.6 | -14.1 | -8.1 | -535.7 |
| 2004 | -19.8 | -162.0 | -75.2 | -45.1 | -12.9 | -9.5 | -653.1 |
| 2005 | -16.1 | -201.6 | -82.7 | -50.1 | -12.8 | -10.8 | -766.6 |
| 2006 | -13.4 | -232.5 | -88.4 | -64.1 | -15.2 | -11.7 | -818.0 |
| 2007 | -12.9 | -256.3 | -82.8 | -74.3 | -11.9 | -6.4 | -791.0 |
| 2008 | -13.3 | -266.3 | -72.7 | -64.4 | -11.0 | -7.1 | -800.0 |
| 2009 | -10.6 | -226.8 | -44.8 | -47.5 | -9.9 | -4.7 | -500.9 |
| 2010 | -10.1 | -273.0 | -60.1 | -66.3 | -9.8 | -10.3 | -635.4 |
| 2011 | -13.2 | -295.2 | -63.1 | -64.6 | -15.5 | -14.6 | -725.4 |
| 2012 | -16.6 | -315.1 | -76.5 | -61.7 | -14.5 | -18.4 | -730.4 |
| 2013 | -20.7 | -318.7 | -73.3 | -54.6 | -12.4 | -20.0 | -689.5 |
| 2014 | -25.0 | -344.8 | -67.6 | -54.7 | -14.2 | -23.9 | -734.5 |
| 2015 | -28.3 | -367.3 | -69.1 | -60.0 | -15.1 | -23.3 | -745.5 |
| 2016 | -27.6 | -347.0 | -68.8 | -63.9 | -13.2 | -24.4 | -736.6 |
| 2017 | -23.1 | -375.6 | -68.9 | -71.0 | -16.7 | -22.9 | -795.7 |
| 2018 | -17.9 | -419.2 | -67.6 | -81.5 | -15.5 | -21.3 | -878.7 |

Compiled from US International Trade Centre (USITC) data base.

<https://dataweb.usitc.gov/trade/>

Table 2: Commodity composition of US imports from India, 2013-2018.

| HS codes | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------|--------------------|------|------|------|------|------|------|
| 01 to 05 | Animal products | 2.5 | 3.0 | 3.0 | 3.3 | 4.4 | 4.0 |
| 06 to 14 | Vegetable products | 2.0 | 1.8 | 1.9 | 1.6 | 1.7 | 1.4 |

| | | | | | | | |
|------------|---|-------|-------|-------|-------|-------|-------|
| 25,26,27 | Mineral products | 9.5 | 10.2 | 6.1 | 5.4 | 5.6 | 6.0 |
| 28 to 38 | Chemical products | 18.1 | 17.7 | 19.7 | 22.2 | 19.2 | 18.3 |
| 50 to 63 | Textiles and textile products | 16.1 | 15.7 | 17.1 | 16.6 | 16.2 | 15.1 |
| 61 | Apparel and clothing knitted | 3.4 | 3.3 | 3.6 | 3.5 | 3.4 | 3.3 |
| 62 | Apparel and clothing not knotted | 4.5 | 4.3 | 4.7 | 4.5 | 4.2 | 3.8 |
| 63 | Made up textile articles | 5.1 | 4.8 | 5.3 | 5.1 | 5.1 | 4.7 |
| 64 to 67 | Footwear and headgear | 0.8 | 0.9 | 1.2 | 1.2 | 1.0 | 0.9 |
| 68,69,70 | Ceramics and glass wear | 1.2 | 1.2 | 1.4 | 1.3 | 1.4 | 1.4 |
| 71 | Semiprecious stones and jewellery | 21.5 | 20.6 | 20.4 | 23.1 | 21.1 | 20.5 |
| 7102 | Cut and polished diamond | 17.2 | 16.4 | 16.1 | 18.5 | 16.7 | 16.5 |
| 7103 | Precious and semiprecious stone | 0.5 | 0.7 | 0.5 | 0.5 | 0.5 | 0.5 |
| 7113 | Jewellery and parts thereof | 3.6 | 3.3 | 3.6 | 3.9 | 3.6 | 3.3 |
| 7117 | Imitation jewellery | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 72 83 | Base metal and articles of base metal | 5.5 | 6.0 | 6.1 | 4.3 | 6.2 | 5.5 |
| 72 | Iron and steel | 1.2 | 1.8 | 1.4 | 0.6 | 0.9 | 0.6 |
| 73 | Intron and steel products | 2.9 | 2.8 | 2.9 | 2.1 | 2.9 | 2.4 |
| 76 | Aluminium and aluminium products | 0.3 | 0.4 | 0.5 | 0.4 | 1.0 | 1.3 |
| 84,85 | Machinery and mechanical appliances | 7.5 | 8.1 | 8.2 | 7.3 | 8.0 | 9.3 |
| 845090 | Washing machine papers | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 85 | Solar cells | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 | 0.0 |
| 86 to 89 | Transport equipment and parts | 2.5 | 2.8 | 3.5 | 3.0 | 3.2 | 5.6 |
| 90, 91, 92 | Optical, photographic & measuring equipment | 0.7 | 0.8 | 0.9 | 0.9 | 0.9 | 1.0 |
| 93 | Arms and ammunitions and parts | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 94 to 96 | Miscellaneous manufacturing | 1.6 | 1.7 | 2.0 | 2.1 | 2.2 | 2.2 |
| 97, 98 | Work of art | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | 0.1 |
| | Special classification provisions | 1.2 | 1.1 | 1.3 | 1.3 | 1.6 | 1.4 |
| | Total | 100 | 100 | 100 | 100 | 100 | 100 |
| | US\$ billion | 43219 | 47102 | 46669 | 47736 | 50573 | 56505 |

Compiled from US International Trade Centre (USITC) data base.

<https://dataweb.usitc.gov/trade/>

Table 3: India's Tariff profile, 2018

| (a) India's average MFN tariff rate compared to selected countries | | |
|--|--------------------------|--------------------------|
| | Average final bound rate | Average MFA applied rate |
| India | 50.8 | 17.1 |
| China | 10.0 | 9.8 |
| Japan | 4.7 | 4.4 |
| South Korea | 16.5 | 13.7 |
| Mexico | 36.2 | 7.0 |
| Canada | 6.5 | 4.0 |
| Argentina | 31.8 | 13.8 |
| Brazil | 31.4 | 13.4 |
| Turkey | 28.9 | 10.7 |
| (B) India's average MFN Tariffs by product groups | | |
| Product group | Final bound rate | Average MFA applied rate |
| Animal products | 104.5 | 32.5 |
| Dairy products | 63.8 | 34.8 |
| Fruit and vegetables | 101.1 | 32.4 |
| Coffee, tea | 133.1 | 56.3 |
| Cereals & preparation | 114.1 | 37.1 |
| Oilseeds, fats & oils | 165.1 | 54.1 |
| Sugar and confectionary | 126.2 | 51.5 |
| Beverages & tobacco | 120.4 | 74.7 |
| Cotton | 110.0 | 26 |
| Other agricultural products | 105.6 | 29 |
| Fist & fish products | 135.7 | 30 |
| Minerals & metals | 38.3 | 11 |
| Petroleum | 0 | 9.2 |

| | | |
|--------------------------|------|------|
| Chemicals | 39.6 | 10.1 |
| Wood, paper etc. | 36.4 | 10 |
| Textiles | 27.1 | 20.7 |
| Clothing | 37.7 | 20.5 |
| Leather, footwear etc. | 34.6 | 12.1 |
| Non-electrical machinery | 28.6 | 7.8 |
| Electrical machinery | 27.8 | 8.8 |
| Transport equipment | 35.7 | 31.1 |
| Other manufactures | 33.5 | 11.1 |

Source: WTO (2019)

Table 4: US imports of iron and steel, articles of iron and steel and aluminium and aluminium products

| Product ¹ /country | Imports, US\$ million | | | Growth (%) | |
|---------------------------------|-----------------------|-----------------|------------------|------------------------------------|------------------------------------|
| | 2016 July - Dec. | 2017 July - Dec | 2018 July - Dec. | 2016 July -Dec. to 2017 July - Dec | 2017 July -Dec. to 2018 July - Dec |
| Steel (HS 72) | 11,404.9 | 13,694.9 | 14,614.6 | 20.1 | 6.7 |
| Argentina | 19.0 | 13.6 | 7.4 | -28.6 | -45.6 |
| Australia | 136.5 | 208.4 | 246.6 | 52.6 | 18.4 |
| Brazil | 1,179.9 | 1,435.6 | 1,881.3 | 21.7 | 31.1 |
| China | 310.6 | 350.4 | 343.9 | 12.8 | -1.9 |
| India | 157.2 | 190.9 | 126.6 | 21.4 | -33.7 |
| Japan | 668.5 | 644.8 | 565.7 | -3.5 | -12.3 |
| Korea | 900.3 | 683.1 | 878.5 | -24.1 | 28.6 |
| Mexico | 814.1 | 893.7 | 1,130.7 | 9.8 | 26.5 |
| Article of steel (HS 73) | 15,929.8 | 19,218.0 | 20,755.0 | 20.6 | 8.0 |
| Argentina | 61.6 | 138.2 | 122.7 | 124.4 | -11.2 |
| Australia | 21.0 | 22.7 | 26.6 | 7.9 | 17.1 |

| | | | | | |
|--------------------------|---------|----------|----------|-------|-------|
| Brazil | 57.6 | 225.8 | 49.4 | 291.9 | -78.1 |
| China | 5,704.5 | 6,161.9 | 7,324.5 | 8.0 | 18.9 |
| India | 504.0 | 770.2 | 684.7 | 52.8 | -11.1 |
| Japan | 894.4 | 898.7 | 863.7 | 0.5 | -3.9 |
| Korea | 901.7 | 1,401.4 | 771.4 | 55.4 | -45.0 |
| Mexico | 2,038.1 | 2,345.6 | 2,719.0 | 15.1 | 15.9 |
| Aluminium (HS 76) | 9,351.4 | 11,449.5 | 11,429.8 | 22.4 | -0.2 |
| Argentina | 199.6 | 383.7 | 245.4 | 92.2 | -36.1 |
| Australia | 30.4 | 134.9 | 277.2 | 344.1 | 105.6 |
| Brazil | 68.8 | 108.3 | 132.9 | 57.2 | 22.8 |
| China | 1,630.2 | 1,749.8 | 1,411.3 | 7.3 | -19.3 |
| India | 105.7 | 283.1 | 341.0 | 167.9 | 20.4 |
| Japan | 114.5 | 181.1 | 198.6 | 58.2 | 9.7 |
| Korea | 89.9 | 102.9 | 169.1 | 14.5 | 64.3 |
| Mexico | 455.4 | 514.1 | 613.8 | 12.9 | 19.4 |

Note: 1 Product code under the **Harmonized System (HS)** of trade classification is given in brackets

Source: Compiled from US International Trade Centre (USITC) data base.

<https://dataweb.usitc.gov/trade/>

Table 5: U.S. imports under the Generalised System of Preferences (GSP) program

| | GSP imports, US\$ million | | GSP share in total US imports | GSP share in total imports from India | India's share in total GSP imports of USA |
|------|---------------------------|-------|-------------------------------|---------------------------------------|---|
| | Total | India | | | |
| 2000 | 14203 | 1251 | 1.1 | 11.1 | 8.8 |
| 2001 | 13854 | 1445 | 1.2 | 14.0 | 10.4 |

| | | | | | |
|------|-------|------|-----|------|------|
| 2002 | 15241 | 2163 | 1.3 | 17.4 | 14.2 |
| 2003 | 17654 | 2798 | 1.4 | 20.3 | 15.8 |
| 2004 | 19754 | 3462 | 1.3 | 21.1 | 17.5 |
| 2005 | 22256 | 4409 | 1.3 | 22.2 | 19.8 |
| 2006 | 25100 | 5948 | 1.3 | 25.9 | 23.7 |
| 2007 | 23031 | 4959 | 1.1 | 19.7 | 21.5 |
| 2008 | 21812 | 4206 | 1.0 | 15.6 | 19.3 |
| 2009 | 14465 | 2990 | 0.9 | 13.6 | 20.7 |
| 2010 | 17994 | 3685 | 0.9 | 12.0 | 20.5 |
| 2011 | 18913 | 3965 | 0.8 | 10.6 | 21.0 |
| 2012 | 19829 | 4685 | 0.8 | 11.2 | 23.6 |
| 2013 | 18504 | 4450 | 0.8 | 10.3 | 24.0 |
| 2014 | 18755 | 4720 | 0.8 | 10.0 | 25.2 |
| 2015 | 18624 | 4876 | 0.8 | 10.4 | 26.2 |
| 2016 | 19802 | 4985 | 0.9 | 10.4 | 25.2 |
| 2017 | 21961 | 5973 | 0.9 | 11.8 | 27.2 |
| 2018 | 24020 | 6586 | 0.9 | 11.7 | 27.4 |

Source: Compiled from US International Trade Centre (USITC) data base.

<https://dataweb.usitc.gov/trade/>

Table 6: GSP coverage of US imports from India at product level (%)

| HS codes | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------|-------------------------------|------|------|------|------|------|------|
| 06 to 14 | Vegetable products | 16.3 | 15.9 | 16.9 | 22.4 | 21.0 | 27.2 |
| 15 | Prepared animal oil and vexes | 4.5 | 4.0 | 5.6 | 11.1 | 11.4 | 14.1 |
| 16 to 24 | Prepared food | 38.5 | 32.7 | 37.4 | 35.9 | 29.0 | 28.5 |
| 28 to 38 | Chemical products | 10.8 | 9.6 | 8.3 | 8.3 | 11.3 | 11.2 |
| 39,40 | Plastic products | 54.7 | 51.9 | 52.8 | 56.9 | 57.0 | 55.5 |
| 41,42,43 | Leather products | 12.0 | 11.8 | 12.3 | 13.6 | 20.3 | 50.3 |
| 44,45,46 | Wood and wood products | 74.9 | 73.5 | 72.9 | 78.4 | 81.2 | 77.6 |

| | | | | | | | |
|------------|---|------|------|------|------|------|------|
| 50 to 63 | Textiles and textile products | 1.2 | 1.2 | 1.0 | 1.3 | 1.4 | 1.3 |
| 63 | Made up textile articles | 1.8 | 1.9 | 1.9 | 2.4 | 2.6 | 2.7 |
| 68,69,70 | Ceramics and glass wear | 39.2 | 36.2 | 36.7 | 40.9 | 44.5 | 40.5 |
| 71 | Perl, semiprecious stones and jewellery | 1.0 | 0.8 | 0.7 | 0.7 | 0.8 | 0.5 |
| 7103 | Precious and semiprecious stone | 0.2 | 0.1 | 0.4 | 0.5 | 0.9 | 0.6 |
| 7113 | Articles of jewellery and parts thereof | 1.7 | 1.4 | 1.1 | 1.3 | 1.6 | 1.1 |
| 7117 | Imitation jewellery | 81.0 | 71.3 | 71.1 | 77.7 | 73.7 | 65.3 |
| 72 83 | Base metal and articles of base metal | 36.4 | 33.0 | 35.4 | 44.2 | 38.0 | 36.2 |
| 72 | Iron and steel | 2.4 | 2.8 | 4.1 | 3.8 | 8.7 | 20.1 |
| 73 | Iron and steel products | 39.5 | 39.5 | 42.0 | 46.7 | 35.3 | 44.2 |
| 76 | Aluminium and aluminium products | 87.8 | 84.7 | 52.7 | 65.3 | 41.5 | 14.7 |
| 84,85 | Machinery and mechanical appliances | 29.4 | 28.8 | 27.4 | 27.8 | 26.9 | 23.0 |
| 85 | Transport equipment and parts | 30.3 | 28.3 | 29.2 | 31.8 | 34.8 | 22.3 |
| 86 to 89 | Optical, photographic and measuring equipment | 17.3 | 15.1 | 14.2 | 20.6 | 16.0 | 10.4 |
| 90, 91, 92 | Arms and ammunitions and parts | 8.5 | 9.1 | 7.6 | 4.6 | 4.7 | 3.7 |
| 93 | Miscellaneous manufacturing | 22.0 | 21.8 | 21.1 | 19.9 | 19.4 | 18.1 |
| | Total | 10.5 | 10.2 | 10.6 | 10.6 | 12.0 | 11.8 |

Source: Compiled from US International Trade Centre (USITC) debate base.

<https://dataweb.usitc.gov/trade/>