

SECURE MINI TRADE DEAL TO OPEN INDIA'S MARKETS

<p>ISSUE</p>	<p>While two-way trade between the U.S. and India increased by more than 34% from 2019 to 2023, the trade relationship still has room to grow, particularly as an alternative to China. Washington and Delhi have made great strides in strengthening other parts of the relationship, but trade has suffered from ongoing irritants, disappointing levels of market access, and low ambition.</p>
<p>SIGNIFICANCE</p>	<p>India is the United States' ninth-largest trading partner, with two-way trade nearing \$200 billion in 2023. This trade has the potential to grow significantly, and as U.S. companies seek to diversify away from China, India is an important destination, source of critical minerals, home to rising technology expertise, and growing manufacturing hub. India is negotiating or has recently concluded deals with, among others, the UK, Australia, the EU, and the UAE, and those countries' competitive advantage will increasingly put the U.S. at a disadvantage.</p>
<p>EXPECTATIONS IN THE REGION</p>	<p>Regional partners are increasingly recognizing the importance of the Indian market. Placing priority on a market-opening, reciprocal deal with India would send an important signal to the region that the incoming administration's interest in the region goes beyond tariffs and bilateral trade deficits.</p>
<p>DOMESTIC CONSTRAINTS/ CONSIDERATIONS</p>	<p>India's history of protectionism plus the growing bilateral trade deficit (valued at \$45 billion in 2023) may mean there is reluctance in the Executive branch and Congress to pursue a trade deal. However, greater access to the growing Indian market opens opportunities for many American businesses to increase their exports and diversify supply chains.</p>
<p>RECOMMENDED COURSE OF ACTION</p>	<p>A meaningful first step would be to pursue a "mini" trade deal with India that could be expanded in the future. The incoming administration should initiate such negotiations as a priority, with the aim of concluding them by the end of 2025. Such a deal should address specific trade barriers of concern, including India's data restrictions, agricultural measures, services constraints, and weak intellectual property rights protection and enforcement. It should also lock in rules to prevent new barriers from being erected, and include Indian tariff reductions in areas where duties are high and of key interest to U.S. companies. The U.S. should also be prepared to take steps to address key Indian concerns, such as renewal of the generalized system of preferences (GSP), reducing Food and Drug Administration inspections backlogs, and exploring what could be done to improve visa access for businesspeople.</p>