

India, the United States and the Future of the International Trade Order

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Regardless of the party in power, successive U.S. administrations have agreed that China poses a threat to the United States-led order. Consequently, the United States has looked not just to its formal allies, but also to partners to shore up its global power. The United States' partnership with India has been a significant part of this strategy. While U. S. overtures to India are long-standing—dating back to the George W. Bush administration—India, on the other hand, responded sporadically. It was really under the first Trump administration that the relationship took off, with India, often slow to commit, signing three defense agreements with the United States in just four years. The Biden administration continued to make this partnership even more central to its Indo-Pacific strategy, and its “friendshoring” agenda, reaching out to key partners and allies to divert important supply chains away from China. Given how complex and layered the U.S.-India partnership has become and the bipartisan support for continuing to develop it, President Trump is unlikely to deviate from the U.S. outreach to India. However, the United States still has a very tenuous grasp on India's interests, particularly on where India stands with respect to the different norms underpinning the U.S.-created liberal international order. Without this understanding, it is futile to expect India to pose a true counterbalance to China. This is particularly the case with respect to the international trade order.

The rapid development of U.S.-India defense ties has sometimes obscured the fact that the bilateral trade relationship has been strained for a while. The United States objects to India's protectionism, while India sees the United States as insufficiently accommodational of its position as a developing country. President Trump has invited Prime Minister Modi to visit Washington this week to meet with him. Top of the agenda will be the issue of bilateral trade. India has a \$35 billion trade surplus with the United States, and President Trump has complained about the U.S. trade deficit with India and others. But, although tariffs are likely to be the looming issue given President Trump's threats towards Canada, Mexico, China, and Europe, the U.S. administration also needs to understand where India stands on important norms in the international trade order. Particularly if, as reports suggest, a trade deal is in the offing.

The following Council on Foreign Relations (CFR) memos by trade experts in three countries are part of a project assessing India's approach to the international order and illustrate India's position on

important trade issues— digital trade, the World Trade Organization (WTO), and industrial policy— both globally and with respect to the United States.

Kholofelo Kugler (Geneva, Switzerland) argues that India's positions deviate sharply from the global norm of liberalization in digital trade, and, despite its growing technology sector, consistently undermine its information communications and technology (ICT) interests. Conversely, India aligned with the United States on many aspects of digital trade under the Biden administration, as the United States became increasingly protectionist with respect to cross-border data flows, data localization, and source code. The Trump administration's views on this issue are still unclear.

Inu Manak (Washington DC) argues that the United States' pullback from the WTO has opened up space for India to exert leadership. Claiming the mantle of Global South leader, India has been extremely obstructionist and made efforts to disrupt the WTO agenda, undermining progress in important areas such as agriculture negotiations and fisheries subsidies. Paradoxically, its efforts have earned the ire of many Global South countries and undermined its own potential to reap benefits from the international trade system.

Sarthak Pradhan (Bengaluru, India) argues that India has a long-standing practice of implementing industrial policy measures to boost domestic manufacturing. While these measures often lead to trade disputes, hamper foreign firms operating in India, and violate WTO rules, they have come to be in keeping with emerging global trade norms that are being put forth by not just the United States, but also the European Union and China. But India's measures are currently even more stringent than these countries' and importantly, have not fulfilled India's goal of boosting its manufacturing sector.