

Recent Developments Impacting U.S.-India Trade Relations

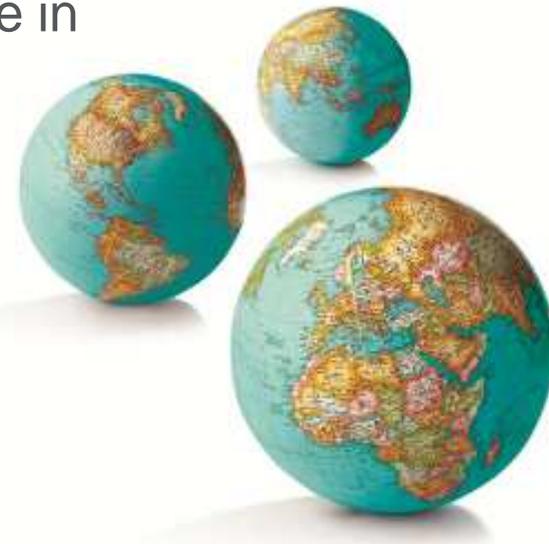
Presented by **Frank Samolis**

Co-Chair, International Trade Practice

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- Background: Key Political Developments in the United States
- Trade Promotion Authority (TPA)
- Trans-Pacific Partnership (TPP)
- Transatlantic Trade Investment Partnership (TTIP)
- Outcomes of 10th WTO Ministerial Conference in Nairobi, Kenya
- Looking Forward: How Can India Increase its Trading Opportunities?



Background: Key Political Developments in the United States

Changes in the Geopolitical Landscape

- With the decline of the World Trade Organization (WTO) as a forum for crafting multilateral trade agreements, many countries, including the United States (U.S.), are concentrating on the negotiation of mega-trade agreements, such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP).
- Many experts believe that countries seeking to increase trade opportunities should join as many mega-trade agreements as possible.



Background: Key Political Developments



Trade Promotion Authority (TPA)

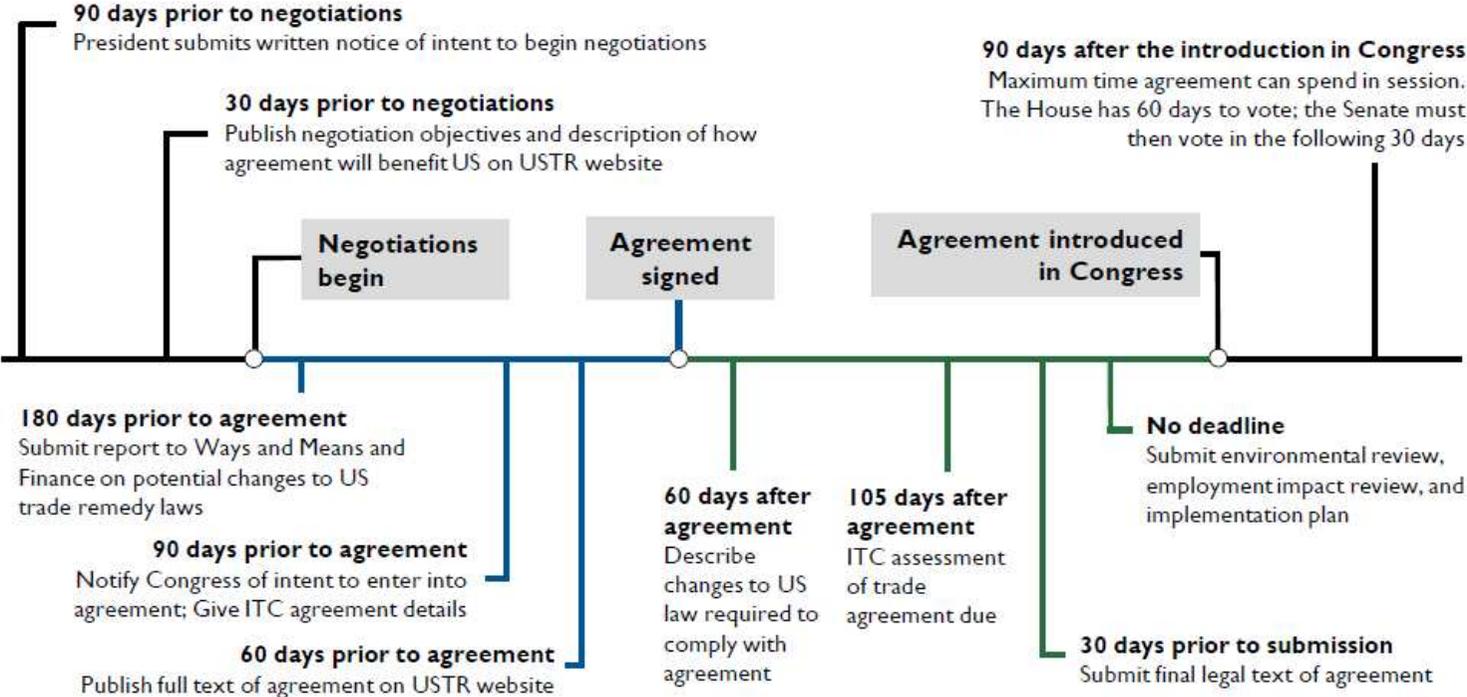


Trade Promotion Authority

What is TPA?

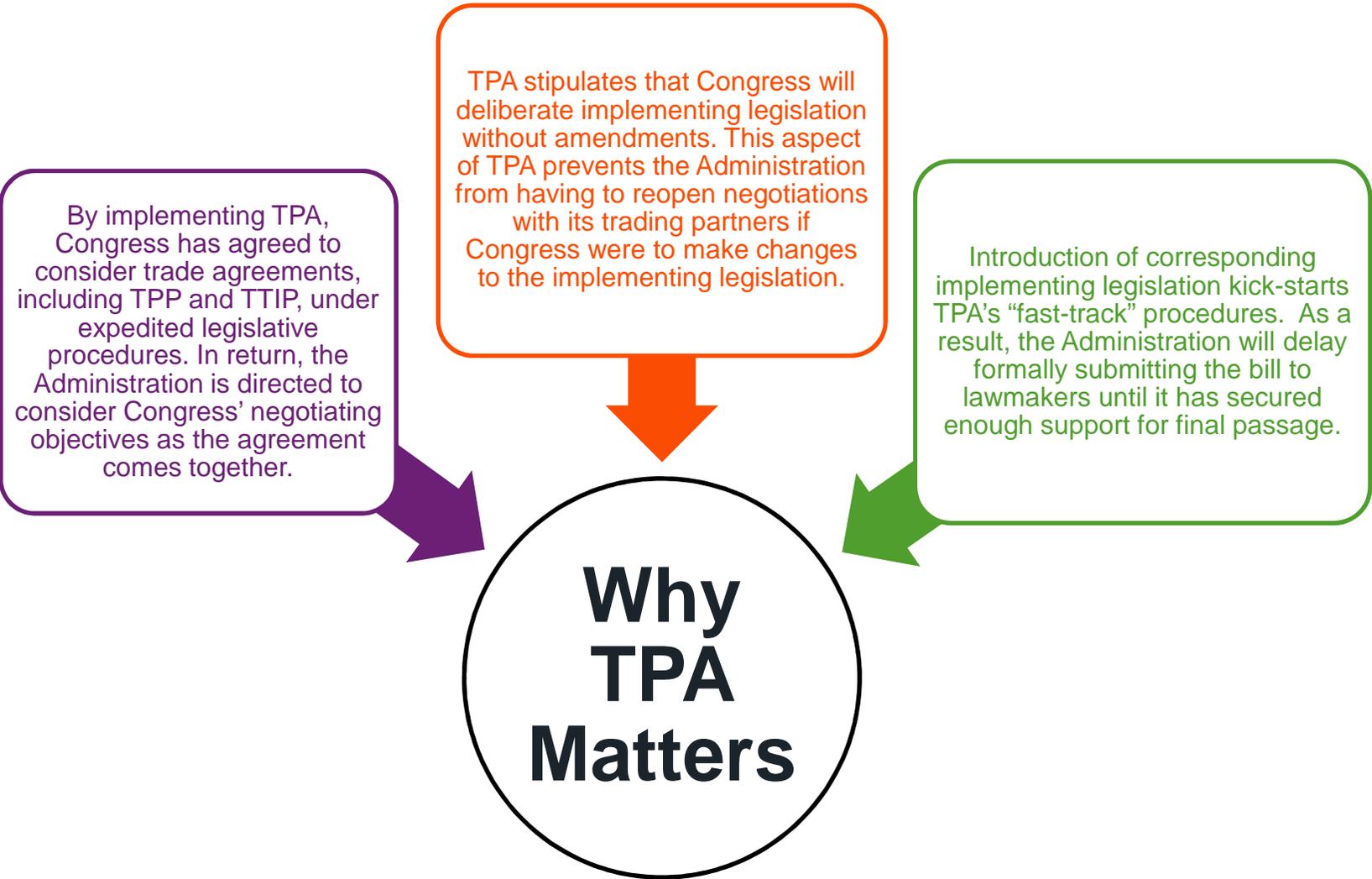
- Under U.S. law, trade agreements are not treaties and therefore are not self-executing. Instead, trade agreements must be approved by both chambers of Congress and signed into law by the President through implementing legislation.
- TPA gives the President the ability to negotiate these agreements, but requires he consult with lawmakers as negotiations progress.
- TPA is not absolutely required for trade negotiations to proceed. However, under TPA, once a final agreement has been reached, Congress can only approve or disapprove of the agreement, and it cannot amend or filibuster it.
 - Congress can still review the bill informally in committee through the “non-markup” process.
- Although TPA requires Congress to vote on the bill within 90 days of its introduction, there is no deadline for when the President must introduce the bill. Thus, the President can choose to delay introduction of the bill until he is certain that Congress will support it.
- Congress renewed TPA in June 2015 after a lengthy and often contentious debate. The TPA bill included updated negotiating objectives as well as provisions aimed at increasing transparency.

Timeline of Requirements for Trade Agreements Under Trade Promotion Authority 2015



- Analysis**
- Trade Promotion Authority (“fast-track”) streamlines the process of approving trade agreements by giving the President authority to negotiate an agreement that goes straight to an up-or-down vote in Congress with no amendments or filibusters
 - TPA applies to all trade agreements reached before July 1, 2018, with a possible extension to July 1, 2021

Source: National Journal



Trans-Pacific Partnership (TPP)



What is TPP?

- The Trans-Pacific Partnership (TPP) aims to be a comprehensive trade agreement between twelve countries: Brunei, Chile, New Zealand, Singapore, the U.S., Australia, Peru, Vietnam, Malaysia, Mexico, Canada, and Japan.
- If implemented, the agreement would cover 40% of global trade, open markets across the Asia-Pacific region, and set high-standard trading rules for member countries.
- U.S. policymakers also argue that TPP would solidify the United States' "pivot to Asia" and strengthen its economic ties with the Asia-Pacific region.
- On October 5, the twelve TPP countries announced that a final agreement had been reached after over five years of negotiations.
- On November 5, the Office of the U.S. Trade Representative released the full text of the agreement, and the President notified Congress of his intention to enter into the deal. Under the terms of TPA, he cannot sign the deal until at least 90 days after providing that notification.
- Countries such as South Korea, Taiwan, the Philippines, Indonesia, Thailand, and Colombia have all expressed interest in acceding to the TPP in a later round.
 - China is reportedly also following TPP's progress with interest.

Trans-Pacific Partnership

Next Steps: A Washington Perspective

- The TPA vote was highly contentious and supporters lobbied hard to secure enough votes for passage - but a vote against TPA does not necessarily mean a vote against TPP.
- Ultimately, the details of the agreement will determine whether Members support TPP. Republican lawmakers are already voicing concerns with several provisions, including those:
 - Limiting data exclusivity for biologic drugs.
 - Blocking tobacco companies from access to the agreement's Investor-State Dispute Settlement mechanism.
 - Establishing separate labor consistency plans for select countries and committing countries to certain International Labour Organization provisions for the first time.



Next Steps: A Washington Perspective

- The timing for Congress' vote on the agreement remains unclear and has become even more complicated due to recent political developments.
- Several possible scenarios include:
 - **March/April 2016:** The President has said he hopes Congress will move promptly to approve the TPP deal, which, given TPA's requirements, would not take place before March 2016. However, with the impending presidential primaries, some TPP supporters have suggested that this may not be enough time for the Administration to state its case and rally support.
 - **April/May 2016:** Political strategists have suggested that April/May could provide the perfect window for Congress to vote on the TPP. This would allow Congress to consider the agreement after the busiest time in the primaries and before the presidential nominating conventions in July.
 - **Lame Duck Session:** Still others have argued that the President should wait until the lame duck session. But leaving the TPP in limbo until November 2016 could provide its opponents too much time to undermine support.
- Republican lawmakers, though cautious, have not closed the door completely on considering TPP in 2016. Ultimately, the agreement will not enter into force before 2017.

Transatlantic Trade and Investment Partnership (TTIP)



How did TTIP come about?

- Leaders discussed the possibility of a TTIP in November 2011. The trade relationship between the U.S. and the EU is the biggest in the world, with more than \$2.2 billion of goods and services traded each day. If implemented, the agreement would cover approximately one third of global goods and services trade.
- In February 2013, a joint High Level Working Group outlined how a transatlantic agreement could be accomplished.
- In his 2013 State of the Union address, President Obama announced the proposed TTIP between the U.S. and EU. In March 2013, the Office of the USTR formally notified Congress of its intent to negotiate the TTIP.
- Since then, the U.S. and EU have participated in 11 rounds of formal negotiations, dividing time between the U.S. and Brussels.



Latest Developments

- In July 2015, the European Parliament adopted a report emphasizing TTIP's great economic and political promise.
- Negotiations have also revealed a renewed focus on regulations and market access:
 - Both sides are working on “horizontal” regulatory issues – those that cut across all sectors – to address how the U.S. and EU can coordinate future rulemaking.
 - Negotiators also continue to work closely with stakeholders from all parts of the supply chain to identify ways of reducing bureaucratic red tape, delays, and costs at the border.
- In light of the European Court of Justice's recent decision effectively nullifying the Safe Harbor Agreements between the U.S. and the EU, TTIP negotiations could also begin to focus on data protection issues.
- Following a meeting in December 2015, U.S. Trade Representative Michael Froman and EU Trade Commissioner Cecilia Malmström “committed to expeditiously reaching an ambitious, comprehensive agreement” and agreed to “further intensify” their efforts in 2016 to help rapidly advance negotiations.



The 11th Round of Negotiations in Miami (October 19-23)

- With the recent conclusion of the TPP agreement, negotiators in Miami were optimistic that future TTIP negotiations will advance more rapidly. U.S. Chief Negotiator Dan Mullaney stated that the U.S. hopes to complete negotiations by the end of the Obama Administration, adding that the next four months will be critical to achieving this goal.
- In Miami, negotiators made progress in a number of areas:
 - The U.S. and EU exchanged tariff offers, and negotiators confirmed that the second formal exchange of tariff offers now covers 97% of tariff lines. Reports indicate that the final three percent covers autos, textiles and some agricultural products. EU negotiator Ignacio Garcia Bercero suggested these issues will be left to the “end game.”
 - Negotiators exchanged views on revised services offers originally presented in July and continued discussions on regulatory compatibility. The two sides also agreed to hold talks on financial services market access within the next few weeks.
 - In addition, negotiations continued on key regulatory issues such as technical barriers to trade, public procurement markets, and sanitary/phytosanitary measures.
- The next round of negotiations will take place in Brussels in February.

Outcomes of the 10th WTO Ministerial Conference in Nairobi, Kenya



10th WTO Ministerial Conference

- The WTO's 10th Ministerial Conference ended with the adoption of the “Nairobi Package” a Ministerial Declaration and six Ministerial Decisions on agriculture, cotton, and issues related to Least Developed Countries.
- The declaration – concluded after extensive negotiations between the U.S., EU, India, Brazil, and China, five of the WTO's major players — stated that the WTO members could not agree on whether to continue to abide by the Doha framework. While the U.S. and other developed economies have said that unresolved Doha issues will still be a priority, the statement effectively acknowledges there is no consensus for continuing the talks.
- Also significantly, the WTO members concluded a new agreement to eliminate agricultural export subsidies.
 - The deal requires developed countries such as the U.S. and the EU to immediately ban agricultural export subsidies, but gives China, India, Brazil, and other developing countries three years to phase them out.
 - Developing countries (including India and China) can continue to use export subsidies for transportation and marketing until 2023, subject to certain conditions.
 - While some have expressed support for the agreement, others have suggested that its success will ultimately depend upon whether it can be rigorously enforced.

10th WTO Ministerial Conference

- Ambassador Froman declared that the WTO was on “the road to a new era” following the talks.
- Indian Minister of Commerce and Industry Nirmala Sitharaman expressed disappointment that the final declaration did not unanimously reaffirm the Doha mandates, but pointed to the commitment by WTO members to continue working on all “unfinished pillars” of the Doha round.
- Some experts believe that small groups of countries will now more earnestly seek out plurilateral agreements like the TPP and TTIP, including the Regional Comprehensive Economic Partnership (RCEP) and Free Trade Area of the Asia Pacific (FTAAP).
- WTO members also continue efforts towards implementation of the Trade Facilitation Agreement.

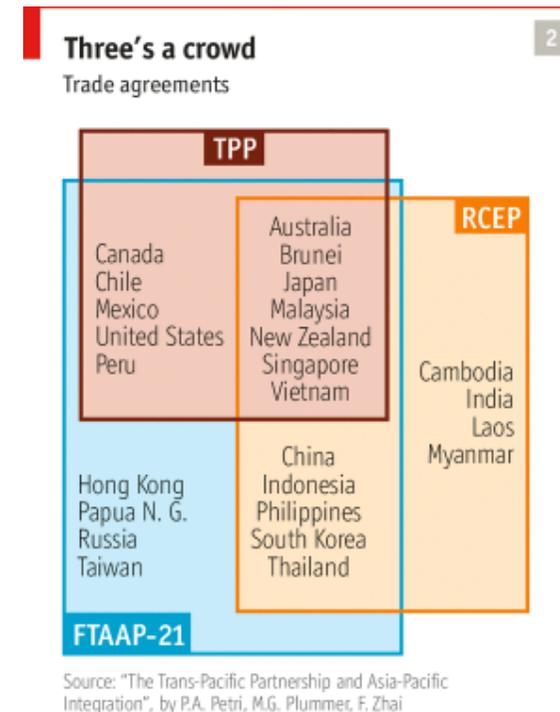


Image source: *The Economist*

Looking Forward: How Can India Increase its Trading Opportunities?



How Will TPP and TTIP Affect India?

- The Indian economy is now growing at an estimated rate of seven percent, faster than any other large country in the world.
- However, to employ its rapidly rising population and to address poverty-related issues, economists have suggested that India needs to increase its growth rate.
- Prime Minister Narendra Modi's government recently proposed a series of sweeping reforms to reach these goals.
- In addition to these economic reforms, India must greatly expand its engagement in global markets to meet its economic objectives.
- New developments have dramatically improved the prospects for the Indian economy and economic relations between India and the United States.
- As global players like the United States negotiate mega-regional trade agreements that do not include India, it may face new customs and regulatory hurdles, making it more difficult for India to access U.S. and other major markets.

What can India Do to Prepare for TPP?

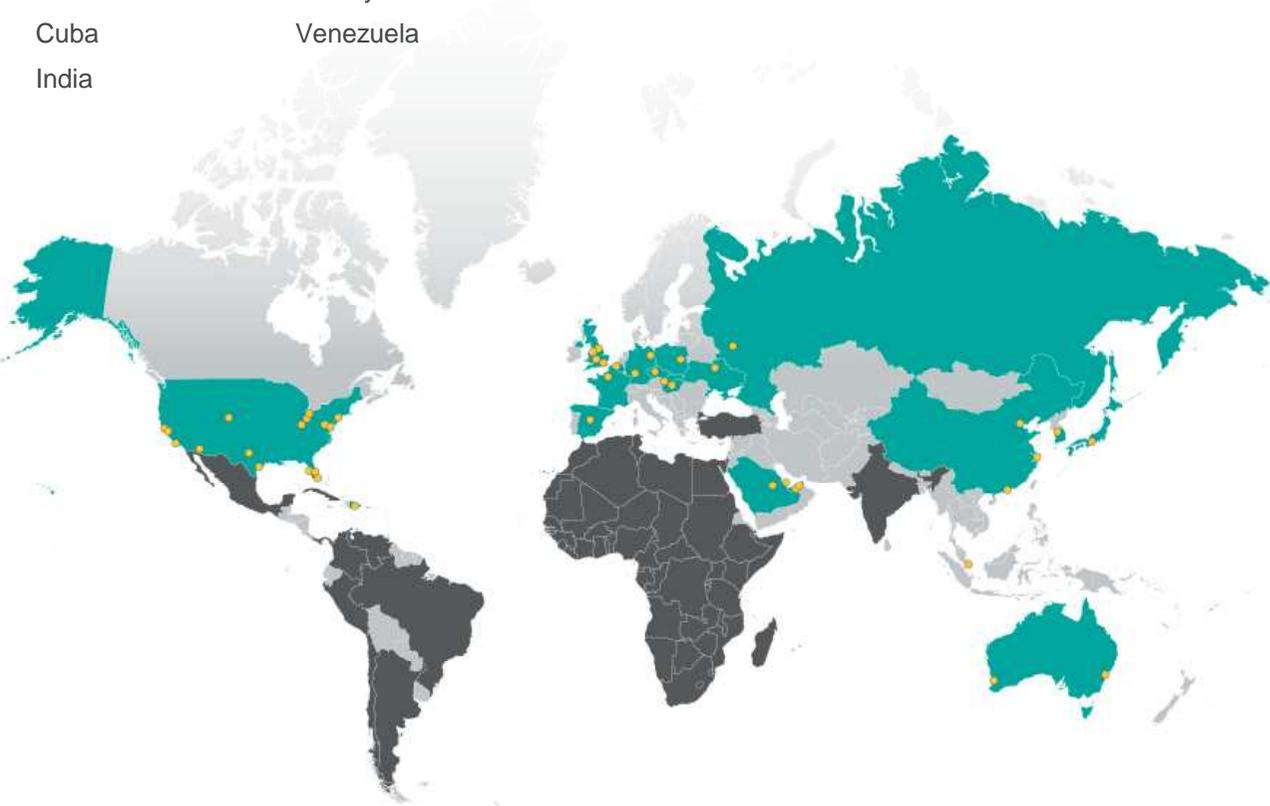
- India can continue to develop its own global trade relationships by building on RCEP's existing framework and by negotiating other multilateral trade agreements.
- Once TPP and other major regional trade agreements are implemented, non-member countries, such as India, must ensure that market controls and technical barriers to trade do not impede future trade relations.
- In addition, as the WTO's influence continues to wane, it is important that India consider acceding to the TPP in a later round.
 - According to a Peterson Institute study, India could experience huge export gains of more than \$500 billion per year from joining an expanded TPP.
- In the meantime, India should seek to demonstrate that it is ready to join a regional trade agreement like the TPP by addressing long-standing problems as intellectual property rights and preferential market access.

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 ■ Regional desks and strategic alliances



Contact Me



Frank Samolis

Partner

Co-Chair, International Trade Practice

+ 1 (202) 457-6000

frank.samolis@squirepb.com

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