

## India and U.S.'s Tariff and Visa Issues

### What is the issue?

In the U.S.-India Trade Policy Forum which was reconvened after a gap of 4 years, both countries exchanged views on 'potential targeted tariff reductions' and decided to activate the forum's working groups.

### What is the U.S.-India Trade Policy Forum about?

- The India-US Trade policy Forum (TPF) was established in July 2005 to discuss about trade and investment issues.
- The Minister of Commerce and Industry for India and the United States Trade Representative of the USA are the co-chairs of the Trade Policy Forum.
- The India-US Trade Policy Forum has five focus groups.
  1. Agriculture
  2. Investment
  3. Innovation and Creativity (intellectual property rights)
  4. Services
  5. Tariff and Non-tariff barriers
- **Agreement on digital services** - Both countries had reached an agreement on a transition from the existing Indian equalisation levy on digital services as part of the new multilateral tax solution under the [OECD/G20 Inclusive Framework](#)
- This would allow the U.S. to terminate measures adopted in response to the Indian equalisation levy.

To know more about U.S.-India Trade Policy Forum, click [here](#)

### What are the major issues dogging the ties?

- **Trade deficit** - The size of the trade deficit (23.5 billion dollars in 2019) that the U.S. faces in its trade relationship with India is a central element of U.S.'s approach towards overall trade policy.
- This led to the U.S. imposing new tariffs on steel and aluminium imports on India in 2018 and the Indian Government, in turn, imposed retaliatory tariffs.
- The U.S. removed India from the list of developing countries eligible for favoured access under its Generalized System of Preferences (GSP).

- **Agricultural products** - The U.S. demands for market access for its dairy products and intellectual property rights which is again one of the oldest sources of friction.
- The U.S. had already put India on its 'priority watch list' of countries with serious deficiencies in protecting IPR under its Special 301 report.
- **Other barriers** - Other issues are investment barriers, Indian price controls on medical devices, the digital economy and its related taxation issues, visa issues for iNdians, etc.

*The Special 301 Report released by United States Trade Representative (USTR) identifies trade barriers to US companies due to IP laws of other countries. Currently 9 countries- Argentina, Chile, China, Russia, Indonesia, Saudi Arabia, Ukraine, Venezuela and India are in the list.*

### **How have the two sides sought to reduce friction?**

- India decided to join the OECD/G20 Inclusive Framework on adopting a common multilateral approach to taxation to solve issues like imposition of equalisation levies, etc.
- The government's decision to transition the equalisation levy it imposed on e-commerce transactions over time gives room for the U.S. to withdraw or slower some of the tariffs.
- The ministerial-level talks also led to some decisions to ease access for some select agricultural products from both sides.
- India has adopted the Trade Margin Rationalization approach for price regulation on certain medical device products to protect both consumer and supplier interests and this was acknowledged by the U.S.

### **References**

1. <https://www.thehindu.com/news/national/explained-have-india-and-us-resolved-tariff-and-visa-issues/article37730282.ece>