

India-US Trade Differences

What is the issue?

- US Commerce Secretary Wilbur Ross criticised India's trade practices as being unfair and market access barriers as overly restrictive.
- This brings to the fore the differences between India and the U.S. in the trade sphere, which warrant an assessment.

What were Ross's remarks?

- American technologies and expertise could play an important role in developing India's economy.
- But businesses had to grapple with difficult trade barriers and regulations in India.
- India was at number 13 in the list of US export markets because of its "overly restrictive market access barriers".
- India's average applied tariff rate was "the highest of any major world economy".
- Ross noted that it was "especially unusual" that the US had a trade deficit with India in the services sector too.
- As, the U.S. has services surplus with most countries; in the case of India, the deficit is largely due to IT services.
- The criticism was in line with President Trump's repeated claims that India is a "tariff king" and imposes "tremendously high" tariffs on American products.

How is India's tariff structure in real?

- India's tariffs used to be high until about the late 1990s.
- But the peak customs duty on non-agriculture products has come down steadily since.
- It is down from 150% in 1991-92 to 40% in 1997-98, 20% in 2004-05 and, finally, to 10% in 2007-08.
- According to World Trade Organisation (WTO) data, India's average applied tariff is now around 13.5%.
- This is not much higher than those levied by economies such as South Korea and Brazil.
- There are even plans to move towards ASEAN tariff rates progressively

(approximately 5% on average).

- Despite this long term trend, over the last 5 years, there has been a move by the government to increase duties on a number of items.

What were the positive remarks?

- Alongside the tough talk on “unjust” trade barriers, there were also indications of a softening of US stance on some differences.
- Reportedly, there is a possibility of putting on hold the final decision on Generalized System of Preferences (GSP) till the new government takes office in India.
- The US had earlier announced the possibility of withdrawal of incentives to Indian exporters under the GPS. Click [here](#) to know more.

How significant is GSP for India?

- The GSP allows duty-free entry for over 3,000 products from designated beneficiary countries.
- India has been the biggest beneficiary of the GSP regime.
- India has accounted for over a quarter of the goods that got duty-free access into the US in 2017.
- Exports to the US from India under GSP amounted to over 12% of India’s total goods exports to the US that year.
- The US goods trade deficit with India was \$22.9 billion in 2017.
- India has stated that the withdrawal of these duty benefits under GSP would not impact its exports to the US.
- However, small exporters have asked for continuation of the programme.

What are the other key disputes?

- Seven disputes between India and US are at various stages of the Dispute Settlement Mechanism under the WTO.
- These pertain to:
 1. poultry and poultry products from the US
 2. countervailing duties against India’s export of steel products
 3. measures against import of solar cells and modules under the National Solar Mission
 4. the US’s Sub-Federal Renewable Energy Programmes
 5. US measures concerning non-immigrant visas
 6. India’s export promotion schemes
 7. US tariff hike on steel and aluminium products

What is the way forward?

- The Indian government attempts to arrive at a “balanced” package.
- It aims at addressing American concerns as well as protecting the interests of the Indian public. But it has largely been unsuccessful.
- So New Delhi and Washington need to make a more determined attempt to sort out issues, starting from scratch if required, with tariffs.
- Indian government will need to revisit some of its decisions like data localisation requirements and new e-commerce regulations.
- On the other hand, the U.S. must show some flexibility on India’s price caps on coronary stents and other medical devices.
- The U.S. must understand the cultural differences over the labelling of non-vegetarian dairy products.
- Where a compromise is not possible, the governments should be ready to push back on unreasonable demands.

Source: Indian Express, The Hindu

Quick Facts

Stents

- Stent is a tiny tube that helps relieve blockages and treat narrow or weakened arteries in heart.
- In 2017, India capped the prices of cardiac stents and knee implants, slashing prices by over 70% and 60% respectively.
- The move impacted US giants like Abbott, Medtronic and Boston Scientific.

Dairy Imports

- Under Indian norms, the import of milk and milk products requires certification that the source animals have never been fed animal-derived blood meals.
- The US is against this as dairy export lobbies in US have called this as unscientific dairy certificate requirements.