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

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