India Retaliates to U.S. Tariffs

What is the issue?

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- India has issued a statement of intent to raise duties on a list of items that are currently being imported from the U.S. from August 2018.
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- This is largely seen as retaliatory action against U.S. increasing import tariffs against certain products that will likely affect Indian exports.
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How has the tariff war unfolded thus far?

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- This was in retaliation to the US announcement for imposing tariffs on steel and aluminium items (25% and 10% respectively) from most countries.
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- Significantly, US imports steel items worth approximately $795 million and aluminium products worth $424 million from India.
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- In retaliation, India has recently announced a hike in duty for 29 items that are currently imported from the US from August 2018.
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- India’s declaration to the World Trade Organization (WTO) has made it clearly its actions are merely to balance the losses arising from the U.S. tariffs.
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- To this end, India reserves the right to adjust the specific products for which import concessions are to be suspended, and the rate of duty to be imposed.
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- The items currently listed by India, which totalled to 29, included lentils, boric acid, fresh apples and shelled almonds.
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What are the products that will take the biggest hit?

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- **Almonds -** Of the listed products, the category that is expected to bring in the highest additional duties is almonds (both dried and in shell).
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- Currently, the tariff on almond is Rs. 35 per kg and it accounted for $580.63 million in bilateral trade for the year 2017.
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- As the duty is raised to the proposed Rs. 42 per Kg, an additional earnings of $116.13 million from almonds is likely.
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- **Apples -** This is the 2nd largest category that is likely to be impacted and India imported fresh apples worth $96.57 million from the US in 2017.
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- The import duty has been increased from 50% to 75% and the likely additional revenue is estimated at $24.14 million.
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- **Diagnostic Reagents -** This is another category that is likely to take a massive impact as duty has been doubled from the current 10% to 20% overall.
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How does the future look?

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- As the government has proposed August as the kick in time for the new tariffs, it is a likely that the government intents to negotiate with U.S. authorities.
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- Commerce and Industries minister Suresh Prabu is already said to be engaged in discussions for arriving at a mutually agreeable solution.
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Source: Indian Express

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