India’s Retaliatory Tariffs on U.S. Imports

Why in News?

India has decided to impose retaliatory tariffs on 29 goods imported from the U.S., from June 16, 2019 onwards.

What necessitated this decision?

- The tariffs on the 29 goods, including walnuts, apples, and some pulses, were initially announced in June 2018.
- This came as retaliation to U.S. President Trump’s decision in March, 2018 to impose higher import tariffs on Indian aluminium and steel.
- India has repeatedly asked for exemption from these higher tariffs, but it was not effected.
- However, negotiations continued for about a year, and India repeatedly extended the deadline for retaliatory tariff imposition.
- Another issue is over granting India duty-free imports for certain items under the U.S.’ Generalised System of Preferences (GSP).
- The talks over this too has not brought any favourable outcomes.
- Also, under a U.S. ultimatum, India had to terminate its imports of vital crude oil from Iran.

What are the likely implications?

- If implemented, 29 items imported from the US will face higher duties, cutting benefits to U.S. exporters.
- The tariffs will place a burden of $220-290 million on the U.S.
- Notably, this is about the same amount imposed by U.S. on India in 2018 on steel and aluminium.
- For India, given the robust market and sound economic fundamentals, it may not bring in any untoward effects.
- Moreover, the imposition of increased import tariffs on agricultural commodities will help domestic farmers.
- The withdrawal of GSP will not make much difference either, as Indian exports are all geared to take this challenge.

What is the way forward?

- The decision indicates that India is, at least for now, done with a more

conciliatory stance with the U.S.

- The counter-tariffs have now lent the Indian side a bargaining chip.
- However, India has much at stake in ensuring that economic ties with its largest trading partner continue.
- This should not end as a result of timely irritants due to the current U.S. administration's unconventional approach to trade and tariffs.
- So, the Indian government has to review with flexibility some of its decisions.
- These include the data localisation requirements and the new e-commerce regulations that have become concerns for the U.S. side.
- On the other hand, India has to convey its U.S. counterparts the importance of market access for Indian services exporters being free of new, restrictive visa curbs.

Source: The Hindu

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