

# India to US: Drop 10% universal tariff in trade deal

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India is seeking a binding commitment from the United States (US) on pre-April 2 tariff levels for labour-intensive sectors as part of an early tranche of the proposed bilateral trade agreement (BTA). This would involve doing away with the universal 10 per cent tariff imposed by the Donald Trump administration.

“Since our labour-intensive exports face an additional 10 per cent tariff after April 2, while original tariffs were largely in low single digits, a commitment by the US to revert to its original tariff schedule would give us a competitive edge over other countries,” said a government official, requesting anonymity.

India is pushing for the elimination of tariffs on labour-intensive goods, such as apparel, leather, footwear, gems & jewellery. But the US has told India that it currently doesn’t



## Work in progress

- India pushes for early tranche of trade deal to avoid potential 26% reciprocal tariff
- Seeks commitment for elimination of tariffs in labour-intensive goods at a future date
- Cites February joint statement, which pledges to enhance Indian exports of labour-intensives goods

have the Congressional mandate to make such tariff cuts. “We are seeking a commitment from the US that the trade deal should have a paragraph that once the current administration has the authorisation from the Congress, tariff on labour-intensive products will be brought down to zero, sub-

ject to negotiations. This will be like a post-dated cheque,” the official added. Though both countries have committed to signing a mutually beneficial BTA by this autumn, India is pushing for an early tranche to avoid a 26 per cent reciprocal tariff, scheduled to kick in from July 9. Turn to Page 6 ▶

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# India-US trade talks continue unaffected



India is also citing the joint statement signed during Prime Minister Narendra Modi's visit to the US in February, in which both sides agreed to begin negotiations for the BTA. "Both sides also pledged to collaborate to enhance bilateral trade by increasing US exports of industrial goods to India and Indian exports of labour-intensive manufactured products to the US," the joint statement said.

On Tuesday, US Secretary of Commerce Howard Lutnick said a trade deal between India and the US could be finalised in the "not too distant future," signalling that an agreement may be reached before the current 90-day pause on American reciprocal tariffs ends on July 9.

Lutnick said the US was seeking greater access to Indian markets and, in return, was prepared to offer India preferential access in certain key sectors.

"We would like our businesses to have reasonable access to the markets of India. Now, it's not going to be everything, and it's not going to be everywhere, but we want to have the trade deficit reduced. In exchange for that, what India is going to want is... certain key markets that they're going to

want to make sure that they have special access to the American marketplace. And so that's the trade-off," he said.

While tariff-related uncertainty has increased after a US Court of International Trade ruling blocked Trump-era reciprocal tariffs (it was later stayed by a US appeals court), Indian officials have maintained that trade talks would continue unaffected. However, Trump's recent move to double safeguard duties on steel and aluminium to 50 per cent, along with his comments cautioning Apple against investing in India, has surprised Indian observers.

Jayant Dasgupta, former Indian ambassador to the World Trade Organization, said if India were to rush into a trade deal with the US at a time when the reciprocal tariff matter might escalate to the Supreme Court, the US would pocket the concessions and ask for more.

"I don't know whether the government can stand firm and say no to Trump or at least drag on the negotiations till there is a Supreme Court decision. The US is only arm-twisting and there is nothing bilateral about this deal. It is up to India to make up its mind," he added.