

US may cut tariff to 10-15%, penal duty likely to go: CEA

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Kolkata, 18 September

Chief Economic Advisor (CEA) V Anantha Nageswaran on Thursday expressed confidence that India-US tariff discussions would conclude within the next couple of months, with a resolution to both the reciprocal tariff as well as penalty for India's purchase of Russian oil. He also said the reciprocal tariff could come down to the earlier-anticipated range of 10-15 per cent.

The CEA was speaking at two separate events in Kolkata, organised by business chambers.

"Considering recent develop-



Chief Economic Advisor V Anantha Nageswaran said, according to his intuition, the penal tariff was unlikely to continue beyond November 30

ments in the last couple of weeks, I do believe — I have no particular basis to say so and this is my intu-

ition — that the penal tariff will not be there beyond November 30. Given the recent developments, I do believe there will be a resolution in the next couple of months on the penal tariff and hopefully on the reciprocal tariff also," Nageswaran said at an event organised by the Merchants' Chamber of Commerce and Industry.

On Tuesday, the chief negotiators of India and the US decided to intensify efforts to reach an early conclusion of a "mutually beneficial" trade deal, setting aside recent strains in their bilateral ties.

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When TN's Dollar Town hangs by a thread

Tiruppur is known as India's knitwear capital, sometimes even called Dollar Town for its export-driven economy. Tucked away in the heart of the city is the Khaderpet wholesale apparel market, a living stage that reflects the mood of this export hub, often jolted by global geopolitics, writes SHINE JACOB

Resolution to US tariff issues likely in couple of mths: CEA

A phone call from US President Donald Trump to convey birthday greetings to Prime Minister Narendra Modi also indicated a move towards normalisation of relations.

Speaking at a separate event organised by the Bharat Chamber of Commerce, the CEA said the 25 per cent reciprocal tariff could also come down to the earlier-anticipated range of 10–15 per cent. “If that happens, it will be an even bigger occasion for celebration,” he added.

Exports to the US, which stood at \$86.5 billion last year, suffered a jolt when the Trump administration imposed an additional 25 per cent tariff on Indian goods effective August 27, in retaliation to India’s Russian oil purchases. This was over and above the 25 per cent reciprocal tariff that kicked in on August 7.

A resolution to the matter, Nageswaran said, was important not only

from a trade perspective but also from the overall sentiment and capital formation. Underneath the surface, lots of conversations were going on, he said.

Confidence on growth momentum

On the Indian economy, he said, numbers point to a stronger growth momentum than anticipated prior to the tariff imposition. “We won’t be surprised if the growth rate is again 7 per cent year-on-year (Y-o-Y) in the second quarter.”

In the first quarter, India’s gross domestic product (GDP) grew at 7.8 per cent Y-o-Y. It was not a number that was simply driven by the low inflation rate, Nageswaran said, adding that manufacturing and services sectors contributed to it.

In the next two quarters, agriculture would be contributing in a big way, the CEA said. “We know this from the tractor sales, sowing data, area under cultivation, amount of water in the

reservoirs and monsoon rains.”

If the current trade-related uncertainties are resolved reasonably quickly, as he expects, then India will have the growth momentum to support even more reforms not only at the Union government level but, more importantly, at the state government level, the CEA said.

Urban consumption

On urban consumption, which has been an area of concern, the CEA said it was likely to improve compared to last year on the back of recent developments on the tax front. The direct tax relief in the Budget, combined with benign food inflation and rationalisation of goods and services tax (GST) rates. These three developments are creating a huge improvement in the disposable income or purchasing power in the hands of urban consumers, he added.

He, however, said urban consump-

tion being weak might be based on some selected survey of indicators. “If you look at the bigger picture, urban consumption is not doing badly.”

For example, FMCG volumes are typically tracked using data from listed companies, whereas much of the demand has shifted to unlisted firms. Similarly, digital payments at neighbourhood kirana stores through QR codes are not captured in traditional data. “There is a structural shift underway that is not fully reflected in FMCG sales volumes,” he noted.

For instance, volumes of fast-moving consumer goods (FMCG) were captured from data of listed companies. “But much of the consumption has shifted to unlisted companies now. Also, digital spend at a kirana shop through QR code is not captured,” CEA said, indicating a possible structural shift that is not fully captured in the FMCG volume sales.