

India aiming to get tariff edge over competitors in the US trade pact

IRONING OUT ISSUES. Commerce Minister Goyal continues talks with US counterparts for 3rd day to break logjam

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India is focused on gaining tariff advantage over competing nations, such as Vietnam, Bangladesh and Indonesia, in the bilateral trade agreement (BTA) it is negotiating with the US, sources said.

Commerce and Industry Minister Piyush Goyal and his negotiating team are engaged with their counterparts in the US this week to iron out contentious areas, such as penal tariffs on India and its red lines in agriculture, in order to put the BTA talks in the fast lane. Meetings continue for the third consecutive day, a source tracking the matter told *businessline*.

"The US is in no mood to bring down tariffs below the MFN (standard import duties) for any country. So India's focus is on complete rollback of the penal tariff of



GAINING ADVANTAGE. Union Minister Piyush Goyal is working on putting the BTA talks in the fast lane. ANI

25 per cent and reduction of the reciprocal tariffs of 25 per cent to the extent that it has a tariff advantage over its competitors in the American market," the source said.

RECIPROCAL TARIFFS

On August 7, the US imposed 25 per cent reciprocal tariffs on all Indian goods (except those covered by exceptions) while tariffs on competing countries including Vietnam, Indonesia, Bangladesh and the Philippines was in the

range of 19-20 per cent. An additional penal tariff of 25 per cent was imposed on Indian goods on August 27 as punishment for buying Russian oil and allegedly fuelling the Ukraine war.

India has been arguing that the penal tariffs should be rolled back as its decision to purchase Russian oil was guided by its economic needs and market conditions and the EU and the US, too, were continuing to trade with Moscow.

"If the penal tariffs are removed and the reciprocal tariffs are brought down below other Asian competing countries, Indian would gain an advantage in the US market. That is what the focus of our BTA negotiations is," the source said.

Interestingly, Chief Economic Advisor V Anantha Nageswaran recently commented that he personally believed that the US may soon roll back the penal tariffs on India and bring down reciprocal tariffs to 10-15 per cent.

MARKET ACCESS

New Delhi, however, will try to continue to protect its red lines in agriculture and dairy, and may not be able to give market access in sensitive items or allow genetically modified (GM) soyabean and corn, despite sustained US pressure. "Both economic and political sensitivities do not allow India to give market access to the US for certain agricultural items. Even

for some manufactured goods, like automobiles, tariff cuts can't be as steep as the US wants," the source said.

Depending on how the meetings unfold between the two sides, a decision may be taken on the sixth round of negotiations for the BTA.

"The negotiations have to move fast to meet the October-November deadline for finalising the first tranche of the BTA as decided by Prime Minister Narendra Modi and US President Donald Trump in February this year," the source said.

The last round of negotiations between India and the US took place on July 14-17, which was largely focussed on avoiding Trump's reciprocal tariffs on August 1. It failed to result in a mini-deal and the tariffs were imposed.

Recently, more issues have cropped up with the US that need to be dealt with, such as the H-1B visa fee increase and the US' withdrawal of exemptions for Chabahar investments in Iran.