

# Trade war: India hits back at US, increases import duty on 29 items

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WITH THE Trump administration triggering a trade war by increasing import duties, India retaliated late Wednesday, slapping higher duties on 29 items which include a range of products imported from the US such as apples, almonds, walnuts, lentils and certain steel products. The government, however, refrained from increasing the duty on motorcycles with engines higher than 800 cc (cubic centimeter capacity).

India is the 21st largest agricultural export market for the US — exports of agricultural products to India totalled \$1.3

billion in 2016. The duty hike will be effective August 4, 2018.

Senior officials of India and the US will meet in New Delhi next week — on June 26-27 — to discuss issues pertaining to the duty hike by America on steel and aluminium, review of export benefits to certain domestic products and visa tightening norms.

The US exported lentils worth \$44.5 million to India in 2017 and this forms a sizeable part of the economy of north-western American states. The duty on masoor dal purchased from the US has been hiked from 30 per cent to 70 per cent; on

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other lentils, from 30 per cent to 40 per cent; and, on desi chana (chickpea), from 30 per cent to 70 per cent.

India is a world leader in the production of chickpea, which is mainly grown in states like Madhya Pradesh, Maharashtra and Rajasthan. According to a Mumbai-based trade expert, the US has had a bumper chickpea production in the last one year.

Leading items in agricultural products imported from US include tree nuts (\$522 million), cotton (\$250 million), pulses (\$144 million), fresh fruit (\$72 million), and planting seeds (\$32 million). Many other products that are imported from US saw duties being increased Wednesday.

The duty on Artemia, the “brine shrimp”, has been increased from 5 per cent to 15 per cent; on “almonds in shell”, from Rs 35 per kg to Rs 42 per kg; on “shelled almonds”, from Rs 100 per kg to Rs 120 per kg. Around 90 per cent of Indian almond imports are from California.

“While the increase in Customs duties could be on account of global trade reasons, these will certainly provide a fillip to domestic production in the case of steel products and improve lentil prices for farmers,” M S Mani, Partner, Deloitte India, said.

The import duty on “walnuts in shell” has risen from 30 per cent to 120 per cent;

on apples, from 50 per cent to 75 per cent; on phosphoric acid, from 10 per cent to 20 per cent; and, on boric acid, from 10 per cent to 17.5 per cent.

In an address to a joint session of the US Congress in February 2017, President Donald Trump had hinted at what he thought was mistreatment to companies such as Harley-Davidson due to high import duties of as much as 100 per cent in foreign markets — he did not name India. On February 26, days after India announced an abrupt slashing of duties on imported motorcycles, Trump made it clear that he did not think the cuts were enough.

Most Harley-Davidson motorcycles sold in India are of more than 800 cc. Last week, India informed the WTO that motorcycles with internal combustion engine of more than 800 cc may see an import duty hike of 50 per cent. But on Wednesday, India refrained from increasing the import duty on this section of bikes.

The Indian government told the WTO that it planned to increase import duty on 30-odd US products in retaliation to import duty hikes by the US. It told the WTO that the duty impact on US products would be equivalent to the impact on Indian products due to American duty hikes.

On Wednesday, for diagnostic reagents, other than those used for testing pregnancy or AIDS, the import duty increased

from 10 to 20 per cent. The Indian Express reported on June 9 that Advanced Medical Technology Association (AdvaMed), the world’s largest association of medical device companies, had conveyed to two senior Trump administration officials that the NDA government’s flagship ‘Make in India’ platform had been used to “justify protectionist measures”, and had “not encouraged US medical technology firms to increase their presence in India”.

On March 9, Trump imposed heavy tariffs on imported steel and aluminium items, a move that sparked fears of a global trade war. He signed two proclamations that levied a 25 per cent tariff on steel and a 10 per cent tariff on aluminium imported from all countries except Canada and Mexico.

On Wednesday, flat rolled products of stainless steel, of a width of 600 mm or more and of a thickness from 3 mm to 10 mm, saw the duty increase from 15 per cent to 22.5 per cent, while duty on flat rolled products of other alloy steel (grain oriented), of a width of 600 mm or more, rose from 15 per cent to 20 per cent.

For screws used in manufacturing of cellular mobile phones, the duty increased from 10 per cent to 25 per cent; on nuts made of iron or steel, from 15 to 25 per cent; on Sim socket or other metallic mechanical items used in manufacturing of cellular mobile phones, from 10 per cent to 25 per cent.