

Indo-US trade breakthrough soon?

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NEWDELHI: India and the US have moved a step closer to resolving their outstanding trade issues, with India considering accepting some US demands regarding medical devices and electronics (IT) products. An announcement is likely before the so-called two-plus-two talks between the two countries scheduled to be held in New Delhi on September 6.

According to two people familiar with the matter who briefed Hindustan Times separately, India and the US have discussed medical devices, dairy, and IT products, the three areas where US President Donald Trump was keen India make some concessions.

In medical devices, for instance, India is veering around to the US view of capping trade margins for some products, instead of outright price controls. In early 2017, India had capped prices of products such as stents, affecting large US multinationals such as Abbot and Boston Scientific, which even considered withdrawing products till India said there was no such provision. India's medical devices market is estimated to be as big as \$5 billion.

In dairy, the two people, neither of whom wished to be identified, said there is unlikely to be much progress because the US dairy industry uses bonemeal as part of cattlefeed and this means the milk and milk products are "non-vegetarian".

CONTINUED ON P 6

India-US

Given the cultural issues, this is a deal-breaker for India, one of the two people added. HT learns that India even rejected a US proposal to mark these dairy products with a brown dot to show that

they were “non-vegetarian”.

In IT products, India has been insisting that US products meet Indian standards as laid down in the Compulsory Registration Scheme for IT products. The US argument is that its products already meet much more stringent US standards and that India’s insistence introduces more bureaucracy and complexity into what should be a straightforward import. India may rationalise this scheme, the first person explained.

India also plans to delay the imposition of retaliatory duties on US goods, news agency Reuters said quoting a commerce ministry spokesperson, in order to allow time to resolve disputes that worsened after President Donald Trump imposed tariff hikes on steel and aluminium. The commerce ministry has suggested to the department of revenue to amend the notification for extension of retaliatory measures for 45 days.

To be sure, it isn’t clear if there has been any breakthrough in resolving the issue of US tariffs on steel and aluminium products from several partners including India, and the latter’s retaliatory tariffs on 29 US products. They were previously set to kick in from 4 August.

The breakthroughs have been made possible after several rounds of talks, the two people said. Mark Linscott, Assistant US Trade Representative for South and Central Asian Affairs, and Santosh Sarangi, joint secretary in the ministry of commerce, were involved. Earlier this week, the first person said, India’s commerce minister Suresh Prabhu spoke to US Trade Representative Robert Lighthizer.

The talks come around the same time as, although they are not connected to, the US granting India the important STA-1 status reserved largely for Nato member countries, thereby making it possible for the country access to the latest US defence equipment and technologies.

In 2017, total bilateral trade in goods grew 9.7% to \$74.3 billion in 2017 over 2016, of which US exports to India were \$25.7 billion, and India’s exports to the US, \$48.6 billion. The US trade (in good) deficit with India diminished 6.4% to \$22.9 billion in 2017 from \$24.5 billion. The US services trade deficit with India was \$5.6 billion in 2017, up 7.4%. Total bilateral trade in services at \$51.8 billion grew 11.5%. US services exports to India were \$23.2 billion and Indian services exports to the US were \$28.7 billion. The US has been working to reduce its overall trade deficit.

On Wednesday, the US Congress also provided a waiver for India from sanctions against countries importing arms from Russia.

In the course of the dispute over the three main issues, the US said in April it was reviewing India’s “Generalized System of Preferences” based on “concerns ... related to market access”. In June, India threatened to take this issue to the World Trade Organization if the GSP benefits were withdrawn and also urged the US to continue with these.

An analyst, who spoke on condition of anonymity, said that with the main reason for the US review of India’s GSP status being complaints from the medical devices and dairy industry, the resolution of at least some of the issues could mean India’s status is no longer under threat.