

## India Retaliates on Trade Tariffs against US

In retaliation to India's withdrawal from Preferential Trade Treatment by US President Trump, India announced imposition of tariffs on 28 US Products including almonds and apples.

The new tariffs on \$240 million worth of goods went into effect Sunday and include levies of up to 70%.

In early June, President Donald Trump announced India would lose its trade privileges with the country as a beneficiary of the Generalized System of Preferences.

On Saturday, India amended a previous order "to implement the imposition of retaliatory duties on 28 specified goods originating in or exported from USA," according to a government notification, which noted the existing rate would be preserved on goods for other countries.

Secretary of State Mike Pompeo, who is expected to visit India this month, said this week the United States is open to resolving trade differences with the country if there's greater access for U.S. firms to its markets, according to Reuters.

Department of Agriculture data show that India is the largest buyer of the nation's almonds, paying \$543 million for more than half of the imports. It's also the second-largest buyer of the nation's apples, buying \$156 million worth in 2018. Other exports included in the higher tariffs include lentils and some chemical products.

### **What are Preferential Trade Agreements (PTAs)?**

These agreements give signing nations special or preferential access to each other's markets, giving a boost to overall trade. In the US, the GSP programme - designed to promote economic growth in the beneficiary developing countries - provides duty-free entry for up to 4,800 products from 129 designated beneficiary countries and territories.

The criteria for inclusion in the GSP programme include factors such as providing the US with equitable and reasonable market access, respecting arbitral awards in favour of US citizens or corporations, combating child labour, providing adequate and effective intellectual property protection, and respecting internationally recognised worker rights, among others.

India was the largest beneficiary of the programme in 2017 with \$5.6 billion worth of exports to the US being given duty-free status, according to a Congressional Research Service report issued in January. According to The Washington Post, while the US remains India's top export partner, receiving more than \$48 billion in goods from the country in 2017, just over 10% of imports from India benefit from the programme, which was to expire in December 2020. Turkey, the other new target in Trump's trade wars, was the fifth largest beneficiary with \$1.7 billion in covered imports.

In his letter to Speaker of the US House of Representatives Nancy Pelosi signalling his "intent to terminate" trade benefits, Trump said he was determined that New Delhi had "not assured" the US that it would "provide equitable and reasonable access" to the markets of India.

The move is the latest push by the Trump administration to reduce US trade deficits and redress what it considers to be unfair trading relationships with other countries, starting with China. In addition, Trump has repeatedly called out India for high tariffs. In April 2018, the US launched an eligibility review of India's compliance with the GSP market access criterion.

Please feel free to contact us at [contact@xactitude.in](mailto:contact@xactitude.in) for any further queries.