

Finding amicable solutions to the crucial [trade](#) disputes that India and the United States are engaged in at the World [Trade](#) Organization will be Commerce and Industry Minister Suresh Prabhu's priority in his visit to Washington DC.

Starting Monday, the two-day visit will see Prabhu discussing [trade](#) and related matters with the United States Secretary of Commerce Wilbur Ross and the United States Trade Representative Robert Lighthizer. "We will focus on a concerted bilateral effort to explore ways to deal with all the cases at the [WTO](#). However, the official agenda for the talks are not restricted to specific issues and it will include a broad spectrum of concerns from disputes over tariffs to stricter immigration norms." a senior official said.

Apart from the disputes, Prabhu's visit also gains significance due to [US](#) President [Donald Trump](#) continuing to threat a "reciprocal tariff" regime and the possibility of Indian exports to stateside being booted out of a duty-free access mechanism.

A can of worms

India's trade relations with its second largest trade partner have hit choppy waters since the Trump administration took over. While exports to the [US](#) have grown - \$47.87 billion worth of Indian shipments reached [US](#) ports in 2017-18, up from the \$ 42.21 billion a year before - America's irritation at a wider trade deficit has also grown.

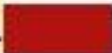



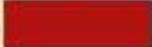
The stakes are highest for India with regards to the US case against New Delhi misusing its export promotion schemes in contravention to [WTO](#) rules. The US has alleged an estimated \$7 billion worth of benefits to exporters through six major promotion schemes. This includes the Merchandise Exports from India Scheme and the Export Promotion Capital Goods Scheme which provide support to thousands of entities through 'schemes' that can be used to pay basic customs duties.

While Delhi has argued the law invoked by the US — the Agreement on Subsidies and Countervailing Measures (ASCM) — allows it a window of eight years to phase out these subsidies, it has remained jittery since the schemes effectively support exports in crucial labour-intensive sectors.

Also, the government has also had to prepare for Trump's threat of a "Reciprocal tax" against all nations and especially India and China. Trump's argument that the US was facing higher tariffs while exporting while bringing in imports at lower duties have led to executive decisions to levy a 25 per cent tariff on steel and 10 per cent on aluminium imported from all countries. While for India, steel and aluminum exports to the US remain at barely 2 per cent of the outbound shipments of both products, it has launched a case against the US at the [WTO](#) on this.

"The US President may not have a clear idea about how reciprocity works at the WTO. Each country has some flexibility to change its customs duty as long as it does not break its larger commitments under the fixed bound rates," Abhijit Das, head of the Centre for WTO Studies, said. Under the norms of the WTO, which oversees global trade law for its 164 member nations, the bound tariff rate is the customs duty rate committed by a country to all other members under the most favoured nation principle, which prohibits discrimination in tariffs.

SHIPMENT DETAILS

	Exports to US (\$ Bn)	Share of US bound exports in total exports (%)	
Processed non-industrial diamonds	7.55	30.04	
All types of textile articles	6.23	28.67	
Pharmaceutical exports	4.66	35.16	
Heavy Machinery & Mechanical appliances	2.83	15.82	
Shrimps & Prawns	2.04	41.63	

Source : Commerce and Industry Ministry

limits set under the WTO.

Balancing Act

"With India's export exposure to the US in sectors such as diamond jewellery, pharmaceuticals and marine products remaining huge, the government should obviously be exploring ways to diffuse the tension. If that means relaxing tariffs on certain items such as Harley Davidson motorcycles as Trump continues to demand, then it may be done." a Delhi based trade expert said. However, Prabhu had last week ruled out any tariff concessions to the US as of now, clarifying that the current levels of import duties are well within the

Officials suggested that a clear indication from India regarding reducing the trade deficit was being demanded by the US. America is also in the process of terminating the Generalised System Preferences (GSP) which has allowed Indian duty-free access to about 3,500 Indian products to US markets. Officials added that India may not put up a fight in this regard.