

# India may revisit US demand for reduction of import duty on electronic products

Tariff on ICT products is a critical issue the US Trade Representative is pursuing

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The US President Donald Trump recently said that India is 'good negotiator' referring to the Indo-US trade negotiations, but so is the US, as it seeks more sops for mobile phones. New Delhi is now compelled to revisit its decision.

Looking into the Information Communication Technology (ICT) tariff issues, an inter-ministerial panel headed by Finance Minister met on Friday and decided that India may have to take a considered stand on the issue so that the Department of Commerce mandate for negotiations with the US is unambiguous.

The Minister of Electronics and IT, Ravi Shankar Prasad, and Commerce Minister, Suresh Prabhu were also at the meeting.

Sources told *BusinessLine* that India was negotiating with the US for a mutually agreeable bilateral package on a number of contentious trade issues and one of the critical issue which the US Trade Representative (USTR) was pursuing strongly was tariff on ICT products.

## Tariff negotiation

The USTR is pressing for reduction/elimination of tariff on seven tariff lines. These include telecom network equipment (such as switches and routing equipments), radio receivers, high-end mobile phones (the US wants mobile phones costing more than ₹ 10,000 eliminated from this duty structure), mobile phone parts, certain print circuit assemblies and smart watches.

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import duty of 20 per cent. However, MeitY is against such proposals made by the US as it would not have the desired outcome or any significant benefit to the US. To safeguard domestic production of electronic devices, India will not reduce or

eliminate tariffs on such items, said a senior official at MeitY. Major companies which have vast production facilities include Samsung, Xiaomi and Lenovo, but the US-based iPhone-maker Apple has limited production facilities in India.

"US is not a major supplier at present. India's total import under the lines where the US is seeking tariff reduction account for \$20.5 billion of which US's share is only \$0.41 billion (2 per cent of India's imports), and consequently any duty reduction, which has to be on most favoured nation (MFN) basis, will help countries like China and not the US," the official said.

The officials at the meeting observed that an assessment has to be done regarding impact on revenue and especially current account deficit. The current revenue generated from the above duties is around \$3.2 billion (of which revenue generated from the US accounts for only \$66 million).

According to industry reports, mobile phone production reached 22.5 crore units in 2017-18 from 11 crore units in 2015-16. Value wise, it was ₹.1.32 lakh crore in 2017-18 from ₹.54,000 crore in 2015-16.