

US asks India to eliminate customs duties on ICT products

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India's domestic market for ICT products is worth about billion, while the global market in such products stands at a staggering trillion. (Picture: PTI)

The US on Monday sought the removal of customs duties by India on information and communications technology (ICT) products so that the latter can take advantage of the global supply chain.

“We are also asking India to eliminate customs duties on ICT products. This will help introduction of these products into the supply chain operations.... We are working with India on the implementation of the trade facilitation agreement (at the World Trade Organization) to ensure a free flow of ICT products with customs,” deputy US trade representative (USTR) Robert Holleyman said here.

Addressing an event organised by New Delhi-based Observer Research Foundation, Holleyman said India should work fast towards tapping its vast untapped potential of the ICT segment.

India's domestic market for ICT products is worth about \$65 billion, while the global market in such products stands at a staggering \$2 trillion.

Earlier this year, some foreign firms, especially in the telecom sector, raised the issue of import duties with the government. In an effort to raise value addition by foreign mobile handset makers in India, the Budget 2016-17, while keeping a 1% excise duty on domestic manufacturing (assembling), had proposed to levy import duties on chargers, adapters, batteries, wired headsets and speakers, taking the cumulative tax incidence (including basic customs duty of 10%, countervailing duty of 12.5% and special additional duty of 4%) on these products to over 29%. Finished handsets, however, attract only the CVD of 12.5%, with 30% abatement. The reason behind the move was said to be that despite concessions, core manufacturing activities to India by foreign players didn't shift. However, the government later partially rolled back the move following industry protest, saying importers of mobile handset components would need to pay only the CVD of 12.5%.

Holleyman said top officials of both the countries will hold the strategic and commercial dialogue in New Delhi at the end of next month. Both the countries held the first composite 'strategic & commercial dialogue' in September last year, with an aim to increase annual bilateral trade to \$500 billion. Merchandise trade between India and the US touched \$62 billion in the last fiscal.

The deputy trade representative held that the US would like to work with India in removing localisation policies, as many of the major IT firms have established research and development initiatives in India and those would like to have free flow of data across borders.

In February, the US won a ruling against India at the WTO after challenging the rules on the origin of solar cells and solar modules used in India's national solar power programme. However, such a move prompted India to point at violations of some of the WTO provisions by the US in the latter's own renewable energy sector. Accordingly, India recently said it would file 16 cases against the US at the WTO, as these programmes of the US at the sub-federal level are "inconsistent" with WTO provisions.

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