US Dilutes Trade Deal Language: What It Means for India

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US Dilutes Trade Deal Language Latest News

- The United States has revised its factsheet on the India–US trade deal, softening language on India’s commitments and removing references to digital services taxes and tariff cuts on pulses.
- It also modified the joint statement to reflect non-binding intent.

Softening of Language

- The earlier factsheet stated that India had “committed to” purchasing over $500 billion worth of US energy, ICT, coal, and other products.
- The updated version replaces this with “intends”, aligning it with the joint statement and clarifying the non-binding nature of the provision.

Dropping Digital Services Tax Clause

- The original factsheet claimed that India would:
    - Remove its digital services taxes
    - Negotiate bilateral digital trade rules
    - Prohibit customs duties on electronic transmissions
- This section, which was not part of the joint statement, has now been removed entirely.

Changes on Agricultural Tariffs

- The earlier factsheet mentioned tariff reductions on “certain pulses”, a politically sensitive issue in India.
- The updated version drops pulses and instead lists products such as:
    - Dried distillers’ grains (DDGs)
    - Red sorghum
    - Tree nuts
    - Fresh and processed fruit
    - Soybean oil
    - Wine and spirits
- The earlier language had triggered criticism from Opposition parties and farmers, who viewed the claims as excessive concessions.

Farmers’ Concerns Over Agricultural Market Access in Trade Deal

- The US revised its trade factsheet by dropping the reference to **“certain pulses”** among products India had allegedly committed to import.
- Although pulses were not mentioned in the joint statement, Commerce Ministry sources indicate that market access for pulses may still be **part of the agreement**, though details remain unclear.

India’s Pulses Import Landscape

- India imports nearly **20% of its annual pulses** consumption to meet domestic demand.
- Key suppliers include:
    - Canada, Russia, Brazil, Myanmar
    - African nations such as Mozambique and Malawi
- In 2024–25, India’s total pulses imports rose 46% to $5.48 billion, though the US accounted for only $90 million, making it a minor supplier.

Push for Self-Reliance in Pulses

- The revision comes as the government promotes self-reliance in pulses production.
- The Agriculture Minister recently termed pulses imports a “matter of shame”, emphasising increased acreage, productivity, and profitability to transform India into an exporter.
- Market access in agriculture has historically been contentious in trade negotiations.
- Indian farmers argue that **heavy subsidies** in Western countries create unfair competition, and have demanded agriculture remain protected in bilateral and multilateral agreements.

Farmers’ Protests and Fears

- Farmer groups announced a nationwide strike, alleging lack of transparency in negotiations. Concerns include:
  - Possible backdoor entry of GM products via dried distillers’ grains (DDGs)
  - Fear of US dominance in India’s animal feed market

$500 Billion Purchase Target: What It Means for India

- **Trade Snapshot: India–US Commerce** – In FY 2024–25, India imported $45.62 billion worth of American goods and exported $86.51 billion to the United States. The US remains one of India’s largest trading partners.
- **From ‘Committed’ to ‘Intends’** – The original US factsheet claimed India had “committed” to purchasing $500 billion worth of American goods over five years (about $100 billion annually). The revised version softens the wording to “intends”, reflecting the non-binding nature of the provision.
- **Farmers’ Concerns Over Import Surge** – The $500-billion figure raised concerns among farmers about a sharp increase in agricultural imports, potentially affecting domestic prices and market stability. Fears centre on increased competition and pressure on farm incomes.
- **Government Clarification: Not Legally Binding** – Indian officials have clarified that the target is not a sovereign commitment, as purchases would be made by private companies, not governments.
  - Similar phrasing has appeared in past trade agreements, such as the India–EFTA deal, where investment targets were indicative rather than mandatory.

Pushback on Digital Services Taxes in Trade Talks

- The revised US factsheet dropped a section suggesting India would **remove digital services taxes** and refrain from reintroducing **equalisation levy**–style measures.
  - The equalisation levy, often dubbed the “Google tax,” was designed to ensure tax parity between domestic and foreign e-commerce companies.
  - India had already scrapped this levy in the previous Budget, but debates remain over whether it should permanently forgo such tools.
- This change follows concerns that India may have limited its future taxation powers over American tech firms.

Concerns Over Policy Sovereignty

- Legal advisers reportedly cautioned against accepting US proposals that would prevent India from reintroducing digital taxes.
- Experts argue that binding commitments in trade deals could constrain India’s regulatory flexibility.

Data Localisation and Digital Sovereignty

- The broader concern extends to data localisation, which requires storing and processing data within national borders.
- Critics warn that trade conditions may restrict India's ability to enforce localisation policies or safeguard digital sovereignty.
- A 2018 UN Trade and Development report highlighted that data localisation can:
  - Promote domestic digital infrastructure investment
  - Strengthen enforcement of national laws
  - Protect privacy and cyber sovereignty
- With its vast user base and growing digital economy, India holds significant leverage. Experts believe retaining regulatory space could enable India to build globally competitive digital platforms.

Source: IE | LM
