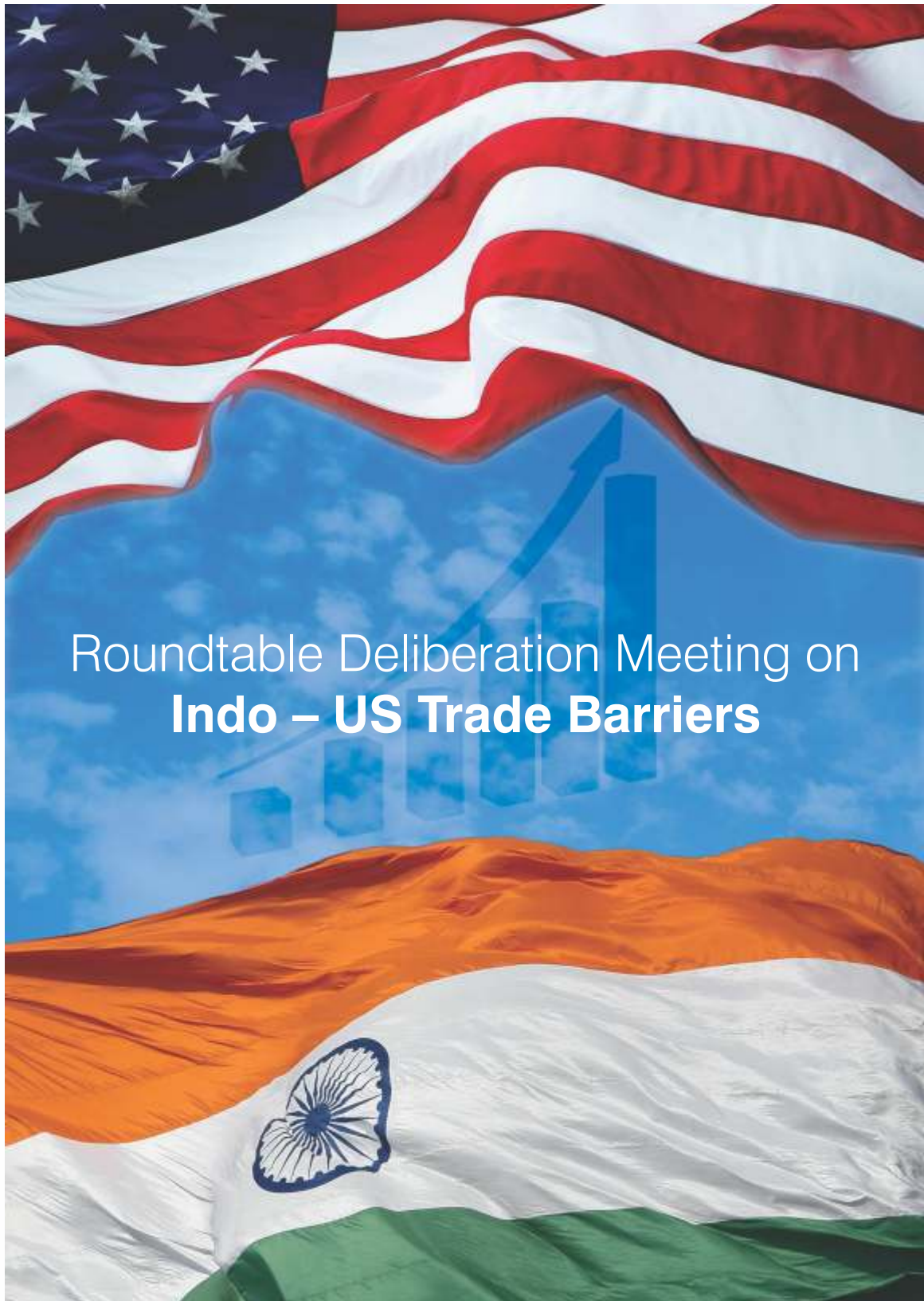




# INDO-AMERICAN CHAMBER OF COMMERCE



## Roundtable Deliberation Meeting on **Indo – US Trade Barriers**

---

27 June 2019 | KPMG Office, **Mumbai**

## 1. Backdrop

India-US Trade relations are on the forefront for more than a year now. The U.S. is India's largest export destination, India is only the 13th largest for the U.S. India's exports to the US in 2017-18 stood at \$ 47.9 billion, while India imported goods worth \$ 26.6 billion during the year.

The companies operating in both countries have been impacted due to the "trade irritants" including terminating India's status of beneficiary country from the GSP program, Data localization, E-commerce restrictions and Visa related issues. For achieving target of \$ 500 billion between the two countries, there should be focus on collaborative growth. There is a need to move from Trade Barriers to Trade Promotions without compromising their respective national interests.

A Roundtable Deliberation meeting was organized by the Western India Council of Indo-American Chambers of Commerce ('IACC') in association with KPMG as the Knowledge Partner. Leadership of affected companies from

### Roundtable Deliberation Meeting on Indo – US Trade Barriers

various sectors like textile, foreign banks and technology companies, insurance, manufacturing, etc., deliberated.

We discussed the grass root level issues they are facing due to the trade irritants between the two countries.

## 2. Summary of issues and suggestions discussed during the meeting

### 2.1 A. WITHDRAWAL OF GSP BENEFITS TO INDIA

Under the GSP programme, nearly 2,000 products including auto components and textile materials could enter the US duty free. India was the largest beneficiary of the GSP programme in 2017 with \$ 5.7 billion imports given duty free status. The GSP benefit conferred over the last three decades has significantly contributed to the growth of trade between India and US and the participants felt that such mechanism should continue for enhancing trade between the two countries.

The industry participants agreed that termination of preferential trade status for India under Generalised System of Preference (GSP) w.e.f. 5 June 2019 shall negatively impact the Indian exports of goods to U.S. which were earlier eligible for GSP benefit. The key products/industries that will be majorly impacted include dairy products, items of gold or silver, chemical products, engineering sector, textile goods, etc.

Further, due to the increase in the duty rates for aluminum/steel, exporters in India have suffered a setback and Indian Government raised a retaliation claim to recover the cost to the tune of \$ 241 million approx. levied on steel/aluminum exports.

On the other hand, following will be the impact on the US companies due to removal of GSP:

- Will cost American businesses over \$ 300 million additional tariffs every year.

- New tax that will result in job losses, cancelled investments and cost increases for consumers.
- US companies do not get access to the Indian market.

### B. SUGGESTIONS

New ventures should be identified for the same. e.g. the textile industry may evaluate **setting up of processing units in U.S.** especially in areas like defence related textiles and clothing. This shall be a win-win situation for both the countries in a way that the basic raw materials such as yarn and fiber can be exported from India to U.S. markets leading to value addition and employment in the US.

An **external audit** can be conducted of the Indian Companies wanting to set up units in U.S., to certify or rate the strengths/ capabilities of the Indian Companies to operate in U.S.

The two countries should also collaborate and identify point of convergence to **support the 'Make in India'** initiative of the Government of India.

Some areas where the convergence could be possible include agro processing, energy (both renewable and non-renewable), infrastructure and defence.

## 2.2 DATA LOCALIZATION

The considerable growth in the Payment ecosystem in India has warranted safety & security of technology dependent processes and workflows involved in the realm of the Payment system

### A. KEY CONCERNS IN DATA LOCALIZATION



#### 2.2.1 Global Servers

It involves a cost factor as organizations would need to invest in storage infrastructure in order to align with the RBI requirements.



#### 2.2.2 Jurisdiction

International companies store data on global servers. In addition to the local servers, organizations would also need to invest in the security & monitoring systems for the local servers.



#### 2.2.3 Third Party Risk

As Payment Data is processed and stored in multiple geographies, organizations need to gain clarity on countries' relevant data laws as applicable.



#### 2.2.4 Investment Cost

Payment System operators will also need to ensure compliance by third party service providers.

### B. SUGGESTIONS - WHAT CAN BE DONE BY PAYMENT SYSTEM OPERATORS (PSO)

- The PSO should identify the flow of payments data in their payment process in order to align with the RBI requirements as applicable.
- PSO should aim to segregate the storage mechanism for domestic payments from cross-border payments.
- Contractual arrangements & Periodic Assessments of the **third party partners could be considered** to ensure Compliance of the service providers, intermediaries, payment gateways, third party vendors, etc.



### List of Participants at the Indo - US Trade Meeting



**Naushad Panjwani**, Chair of the discussion, Regional Vice President, IACC; **Naveen Aggarwal**, Partner, KPMG in India

**Dignitary:** **Jennifer Larson**, Deputy Principal Officer, US Consulate General Mumbai

**Speakers:** **Hasnain Shroff**, CA; **Santosh Sonar**, CA; **Subramanian N**, Executive Director, KPMG in India; **Waman Parkhi**, Partner, KPMG in India; **Akash Arora**, CA; **Tejas Kurtkoti**, CA

**Participants:** **Shankar Subramaniam**, Managing Director, Bank of America; **Arvind Sinha**, Managing Director, Business Advisor Group; **Manoj Balwani**, Senior- Vice President, CitiusTech Healthcare Technology Private Limited; **Ajay Jain**, Chief Operating Officer, Garware Bestretch; **Ashutosh Oke**, Assistant Vice President, Garware Bestretch; **Harit Mehta**, Managing Director, Haren Textiles Pvt Ltd; **Ritika Shah**, Founder Partner, Herbostra; **Vikash Jain**, CFO, Hexaware Technologies; **S. K. Sarkar**, President, IACC; **Poorvi Chothani**, Regional President, IACC; **Saurabh Shah**, Executive Committee Member, IACC; **Suresh Kotak**, Chairman, Kotak Commodities; **Neelasha Thakurdesai**, Associate Manager, L&T Technology Services; **Gauri Takale**, Company Secretary, Manipal Cigna Health Insurance; **Harun Rashid Khan**, Former Deputy Governor, RBI; **Zulfiquar Ghadiyali**, CEO, Private Office of Sheikh Tahnoun; **Suresh Varadarajan**, Director, Finance, SI Group; **Amit Ruparelia**, Former Chairman, Textile Export Promotion Council; **Jigna Mehta**, Commercial Specialist, US Consulate General, Mumbai; **Kishore Shah**, Managing Director, Venus Drugs (Zandu Pharma); **Rakhi Panda**, Regional Director, IACC.





## 2.3 WORK VISAS FOR INDIAN NATIONALS

Acquiring work visas in the US has become increasingly difficult for Indians due to:

**The "Buy America, Hire American"** order of President Trump and related policies leading to the hiring of highly skilled foreign nationals or highest-paid beneficiaries.

**Rise in H-1B denials** and Requests for Evidence (RFEs) with regard to H-1B petitions and visas.

The US government is also considering a cap on **H-1B visas issued each year to Indians at between 10% - 15% of the annual quota.** (There is no current country-specific limit on the 85,000 H-1B work visas granted each year, and an estimated 70% go to Indians.)

**USCIS reversing of order in which the USCIS selects H-1B petitions** under the H-1B cap and the advanced US degree advantage. As a result of this change there is about a 15% rise in the number of beneficiaries with a master's degree or higher from a U.S. institution of higher education being selected under the H-1B quota for FY2020. This has a negative impact on Indian headquartered companies with a large number of workers with US equivalent degrees but no US education.

### The impact of these include:

Millions of dollars lost via project delays and contract penalties due to high number of RFE's, unpredictability and lack of enough H-1B visas.

Large number of man hours spent to address RFEs and 221(g) notices issued by the US Embassy or multiple Consulates in India.

Slowing down in the processing of the applications - leading to project delays and losses.

### Outlook on cases for FY 2021:



**Petitioners for H-1B cap-subject petitions to first electronically register with USCIS with employers not needing to send H-1B petitions and supporting documentation** before the cap selection process, thus reducing overall costs for petitioners and saving man hours and expenses of companies.

**Regulations in the new policy will favour advanced American degree holders, leading to a reduction in regular H-1B visas approvals for Indians** and hit the profitability of H-1B dependent Indian headquartered companies operating in the US.

Welcome to the  
United States

### Background and foreseeable future trends:

Indian headquartered companies are viewed as replacing US workers seeking to modify the system. The impact of this view makes it increasingly difficult for Indian headquartered companies to render required services and remain profitable. This could lead to offshoring of more jobs to India and other countries like Canada, Mexico, Guatemala (some of the countries wooing Indian business).



## 2.4 ARBITRATION - SUGGESTION

Alternate Dispute Resolution (ADR) in co-operation with USA for all kinds of trade between the two countries needs to be institutionalised. The Chamber can play a vital role in facilitating this between the two countries.

The culture is present already in USA. India is progressively getting aware of the need to resort to this matter with co-operation and guidance of leading luminaries of USA. IACC can provide that valuable platform.