

August 15, 2023

The Honorable Katherine C. Tai
United States Trade Representative
600 17th Street, NW
Washington, D.C. 20508

The Honorable Gina M. Raimondo
Secretary, U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, D.C. 20230

Dear Secretary Raimondo and Ambassador Tai:

The undersigned associations write to express significant concerns with the recent announcement from the Indian government that it will require a license to import computers and related information and communication technology (ICT) products beginning November 1, 2023.¹ This policy – announced with no prior notice or public consultation – could significantly disrupt trade, hamper efforts to more closely integrate India into global supply chains, and harm businesses and consumers in both countries. We urge you to raise this issue as a matter of urgency in your engagements with the Indian government, and take steps to ensure that any measures taken by India in this area are consistent with its international commitments.

Import licensing requirements of the kind India has announced is a major non-tariff barrier to trade. At a minimum, these measures create uncertainties and delays that burden imports and the smooth functioning of international supply chains. When administered in a restrictive fashion, they have an impact equivalent to quotas or other quantitative restrictions. World Trade Organization (WTO) rules rightfully discipline such actions, and it is critically important that the United States uphold these standards to discourage the further expansion of trade restrictive measures in India and beyond.

In addition to the serious systemic concerns raised by India's recent announcement, the imposition of an expansive new licensing regime on ICT imports risks serious harm to a range of stakeholders. This policy will affect imports of products made by U.S. companies, including some products manufactured in the United States. Further, as one example of how this measure will negatively impact U.S. manufacturing investment in India, one company has indicated that this import license would inhibit their ability to export computers from the U.S. to India with pre-loaded software intended to facilitate manufacturing at multiple facilities in India. Within India, it risks creating scarcity and price increases for citizens, businesses, and students that rely on computing equipment to engage in the modern economy. At the same time, this import license requirement risks creating a major impediment for U.S. and allied businesses operating in or seeking to build or expand operations in India, by complicating their ability to reliably source products necessary to equip employees and run their operations.

Import licensing measures adopted by India also impose a considerable risk to U.S. companies' significant investment in data centers in India. If the licensing requirements disrupt imports of servers, the data center investments are likely to suffer, which will also adversely impact India's IT sector and all the Indian stakeholders that utilize this technology. The Indian government's notification included an exemption for items that constitute essential components of capital goods as well as the provision of services like data center services in India. However, it is crucial

¹ Based on the initial notification from the Indian government, some products that are impacted by this new licensing requirement include personal computers (desktop & small format computers), computer servers, motherboards with both CPU and memory installed, among others.

that the government provide more comprehensive clarifications and details regarding the scope of these exemptions. This will promote continuity of India's manufacturing sector and provide greater certainty for U.S. investors and exporters.

More generally, the adoption of the licensing measure also raises concerns about India's reliability as a trade and supply chain partner. The U.S. business community has strongly supported recent efforts to deepen the bilateral economic relationship between the United States and India, including through the establishment of new dialogues and working groups on resilient trade, critical and emerging technologies, and supply chains. These initiatives build on the historic visit to Washington by Prime Minister Modi just a few weeks ago, which underscored the potential for renewed bilateral trade and investment ties. However, this potential will only be achieved if businesses have assurance about a predictable regulatory climate. India's recent announcement, which was initially promulgated with immediate effect, undermines this shared objective.

We understand that India's decision to require import licenses is intended to boost domestic manufacturing and pressure companies to participate in the government's Production Linked Incentive (PLI) scheme. If true, this would be an incredibly disappointing development and undermines India's interest in becoming a reliable and resilient supply chain partner. Moreover, mandatory import licensing for these products violates India's commitments as a member of the WTO. Policies based on government coercion and trade restriction will never achieve long-term economic competitiveness, which instead requires a commitment to international rules, a sound and predictable regulatory regime, investment in skills and infrastructure, and assurance that businesses – both international and domestic – will be able to conduct trade necessary for modern manufacturing and supply chain practices.

We urge you and your colleagues throughout the administration to use every available forum of engagement with the government of India to ensure that its measures in the ICT sector are consistent with India's international trade obligations and commitments, support rather than detract from efforts to deepen trade and supply chain linkages, further shared goals toward digitalization and digital inclusion, and are developed in a manner that is consultative.

Given the significant concerns outlined above, the U.S. government should urge the Indian Government to reconsider implementation of this policy and launch a stakeholder consultation to formally solicit recommendations from industry and all relevant stakeholders.

Sincerely,

Consumer Technology Association
Information Technology Industry Council
National Association of Manufacturers
National Foreign Trade Council
Retail Industry Leaders Association
Semiconductor Industry Association
Technology Trade Regulation Alliance
United States Council for International Business

CC: The Honorable Anthony Blinken, Secretary of State