2. India–Us Trade Agreement- International Relation

India and the United States have announced a new trade deal, lowered tariffs and setting ambitious targets for bilateral trade. In August 2025, the US had levied tariffs up to 50% (25% reciprocal + 25% additional duty) linked to India's Russian oil imports

About the India–United States Trade Deal

Tariff-related Provisions

The US has reduced reciprocal tariffs on Indian goods from 25% to 18%, providing immediate relief to Indian exporters. An additional 25% punitive duty, earlier imposed under trade enforcement measures, has been completely withdrawn. This improves price competitiveness of Indian exports in the US market, especially in labour-intensive and MSME-dominated sectors.

US Claims on Market Access

The US asserts that India has committed to-

1. Zero tariffs on select US goods in the long run.
2. Removal of non-tariff barriers (NTBs) such as regulatory hurdles, standards, and certification delays.

The US also claims India has agreed to purchase over USD 500 billion worth of US goods, including-

1. Energy products (crude oil, LNG, coal)
2. Advanced technology and defence equipment
3. Agricultural commodities
4. India has officially maintained a calibrated and phased approach, emphasising gradual liberalisation rather than immediate zero-tariff access.

India's Commitments- India will progressively reduce tariffs and streamline non-tariff barriers on US goods. Emphasis on strategic sectors where imports do not undermine domestic producers. Alignment with India's long-term goal of integrating into global value chains (GVCs) while protecting vulnerable sectors.

Importance of the Deal

Strategic and Geopolitical Significance- Strengthens India–US strategic partnership amid shifting global power equations. Acts as a counter-balance to China's dominance in global trade, manufacturing, and supply chains. Reinforces India's position within US-led economic and security frameworks in the Indo-Pacific.

Economic and Trade Benefits

Lower tariffs enhance competitiveness of Indian exports, especially-

1. Farmers and Agri-exporters
2. MSMEs
3. Start-ups and entrepreneurs

Improves investor confidence and encourages greater US FDI inflows into India.

Supports India's vision of "Make, Design and Innovate in India for the world", not merely contract manufacturing.

Energy Security and Macroeconomic Stability

Diversification of oil imports away from Russia towards the US and allies-

1. Reduces geopolitical risk exposure.
2. Enhances long-term energy security.

Increased dollar inflows from exports and investments can-

3. Help stabilise the rupee
4. Cushion India against global financial volatility.

Challenges and Concerns

Agricultural and Domestic Political Constraints

Strong domestic opposition to opening agricultural markets to US products like-

1. Dairy
2. Genetically modified crops

Concerns over-

1. Farmer livelihoods
2. Food security
3. Price volatility

Energy-related Challenges

Scaling back discounted Russian crude imports would-

1. Increase energy import costs.
2. Put pressure on Indian refiners and inflation.

US energy supplies are generally more expensive and involve longer logistics chains.

Services Trade and Mobility Issues- Higher H-1B visa fees and restrictive immigration policies affect Indian IT professionals. Services trade issues remain largely excluded from traditional trade agreements. This creates an imbalance, as India's surplus with the US is services-driven.

Sanctions and Strategic Autonomy

US threats of secondary sanctions on Iran trade have-

1. Forced India to sharply reduce trade with Iran.
2. Led to a pause in investments in Chabahar Port, affecting India's connectivity to Central Asia and Afghanistan.

Raises concerns about erosion of India's strategic autonomy.

About India–US Trade Relations

Trade Volume and Trends

The US is among India's largest trading partners.

India runs a trade surplus with the US, largely due to-

1. IT and business services
2. High-value manufactured exports

Bilateral trade increased from USD 119.71 billion in FY24 to a record USD 132.2 billion in FY25, indicating robust economic engagement.

Investment Linkages- The US is the 3rd largest investor in India. Cumulative FDI inflows (2000–2025)- USD 70.65 billion.

Investments span-

1. IT and digital services
2. Manufacturing
3. Renewable energy
4. Financial services

Key Indian Exports to the US

1. Pharmaceuticals (generic medicines, vaccines)
2. Engineering goods
3. Electronics and electrical equipment
4. Gems and jewellery
5. Increasing presence of high-tech and value-added products

Way Forward (Analytical Perspective)

India must pursue a balanced trade strategy that-

1. Protects sensitive sectors like agriculture.
2. Leverages strengths in manufacturing and services.

Greater focus on rules-based trade, technology transfer, and supply-chain resilience. Negotiations should increasingly address services, data flows, and mobility of professionals. Ensuring that trade liberalisation aligns with Atmanirbhar Bharat and inclusive growth remains critical.

Source- https-//www.thehindu.com/news/national/india-us-trade-deal-trump-political-nda-opposition-reactions-february-3-2026/article70585856.ece