

India-U.S. Trade Negotiations

With bilateral trade booming, India and the U.S. have urgently intensified talks on a long-planned trade agreement. In early 2025 the two governments agreed to seek a bilateral trade pact (BTA) by autumn 2025, aiming to more than double two-way trade to \$500 billion by 2030. However, the U.S. administration stipulated that an interim deal must be reached by July 9, 2025, or its high tariffs (including a proposed 26% duty on Indian imports) would be reimposed. New Delhi consequently extended its negotiating team's visit to Washington to iron out remaining issues on auto components, steel and farm tariffs. Commerce Minister Piyush Goyal has repeatedly emphasized that India will only accept a fully negotiated agreement in the national interest, not one forced by an arbitrary deadline.

Steel Sector

Steel has emerged as a particularly acute flashpoint. Under U.S. trade law, imported steel and aluminum currently carry Section 232 tariffs of 50%, and even U.S. auto imports face 25% duties. In trade talks, India has pressed for relief on these levies – specifically requesting an exemption for its steel exports from the U.S. 50% tariff and even asking that the 10% U.S. “base” tariff be rolled back. U.S. officials have so far resisted broad cuts; notably, they kept the base tariff in a recent U.S.-U.K. deal. As a negotiating summary noted, India “could pursue its complaint at the World Trade Organization” over U.S. steel and aluminum duties if no bilateral solution is found. In essence, domestic producers and the government are wary of cheap imports (especially from China) and want the interim pact to preserve some protection or compensation.

- **U.S. Tariffs:** The Trump-era U.S. tariffs remain in effect – 50% on steel/aluminum and 25% on autos (plus a 10% general tariff).
- **India's Demands:** India has asked for its steel exports to be spared from the 50% duty and for the 10% base rate to be withdrawn.
- **Industry Impact:** Indian trade officials warn that the looming 26% tariff (if triggered) would hit exports such as rice, shrimp, textiles and footwear — all key sectors for the rural economy
- **WTO Backstop:** To signal resolve, India has made clear it will use WTO dispute remedies if the U.S. insists on its high steel/aluminum tariffs.

Progress/Impasse: Negotiations have yielded no breakthrough on steel tariffs. While both sides reportedly exchanged proposals, New Delhi has drawn a hard line: it refuses unilateral cuts that would undercut its manufacturers. U.S. negotiators are instead exploring phased or reciprocal tariff adjustments. The issue remains unresolved as of the July 9 deadline, meaning the status quo (with U.S. duties intact) could continue unless an interim understanding is reached.

Technology Sector

Technology and digital trade are also on the table. U.S. negotiators have signaled that the deal would cover e-commerce, data flows and related services. For example, reports indicate the two sides agreed that the agreement's scope (terms of reference) includes 19 broad categories ranging from farm goods to “e-commerce” and “data storage”. In talks, both parties discussed ways to boost bilateral

digital trade – for instance, by streamlining customs processes and non-tariff barriers for tech products . New Delhi's priorities include securing lower U.S. tariffs and other barriers on its information technology (IT) and IT-enabled services (ITEs) exports, and addressing visa/social-security rules that affect Indian tech workers in the U.S. . Industry sources note India is pushing for a totalization agreement so that H-1B visa holders pay social-security only in India (saving an estimated \$4 billion annually) . New Delhi is also seeking relaxed U.S. export controls on advanced technologies – from AI and quantum computing to semiconductors – ideally on terms comparable to those given to U.S. allies like Japan and Australia . Meanwhile, the U.S. side is expected to seek commitments on intellectual-property protections, data regulation and market access for its own digital firms (e.g. ensuring U.S. tech giants have a level playing field in India).

Key Issues: The technological agenda is complex and partly unpublicized, but reports highlight: increased market access for U.S. e-commerce companies; data-flow commitments; and cooperation on critical supply chains. However, India will be cautious about measures (like strong IP rules or cross-border data mandates) that might impede its digital sovereignty or domestic IT industry.

Agriculture Sector

Agricultural access is widely viewed as the hardest test. India's farm sector is politically sensitive (employing roughly half the workforce), so New Delhi has taken a firm line on protecting it . U.S. negotiators are pushing for drastically lower Indian tariffs on corn, soybeans, wheat, ethanol and dairy – citing a \$12 billion annual U.S. surplus in agricultural trade . India, in turn, insists on excluding certain staples and dairy from any new concessions, a stance often described as “non-negotiable.” Finance Minister Nirmala Sitharaman has explicitly called agri-dairy tariffs “big red lines” for India . The gap is broad: according to official accounts, U.S. negotiators have even requested access for specialty products like apples, tree nuts, wine and alfalfa hay, all of which India is reluctant to concede. India has offered tariff cuts on many products, but not on core domestic items.

- **U.S. Demands:** Access to India's markets for corn, soy, wheat, ethanol, dairy and other farm goods
- **India's Position:** Preserve high duties on key staples; keep dairy and sugar protected; no rollback of support price regimes. (India has historically kept dairy out of any FTA.)
- **Political Stakes:** India's farm reforms are extremely contentious, and concessions would face stiff resistance from farmers and rural constituencies. Any major cutbacks are likely to be deferred to a later stage.
- **Negotiation Status:** Talks have not resolved the impasse. Observers say India has clearly “drawn red lines” on agriculture, making further progress in the time remaining uncertain

Progress/Impasse: There is little sign of a compromise. India's delegation reportedly left Washington without agreeing to any new agricultural market access, and officials say New Delhi will only endorse a deal that fully safeguards farmers. In practice, this means agriculture will likely be “kicked down the road” to the full BTA negotiations later, or addressed with sensitive side agreements. For the July 9 interim push, negotiators have focused on other sectors.

Geopolitical Context

These trade talks occur against a backdrop of shifting global alignments. India and the U.S. have deepened defense and strategic ties in recent years, viewing each other as counterweights to China. Many analysts point out that a strong trade pact would fit broader security cooperation. As one commentator notes, both governments see an economic partnership as a pillar of “economic security”

aimed at reducing reliance on China in key supply chains. At the same time, India remains careful to preserve policy autonomy. New Delhi's leaders have been sensitive to any U.S. actions that seem to undercut India's interests – for example, India was publicly wary after the U.S. appeared to favor Pakistan over India in recent regional tensions. In short, both sides want the trade deal to buttress their geopolitical goals but without entangling India in any political strings. The current negotiations are therefore seen as part of a larger Indo-Pacific strategy (such as the U.S.-led Indo-Pacific Economic Framework) even as each country juggles domestic priorities.

Implications and Next Steps

Looking ahead, both countries have signaled that talks will continue past the July 9 target. Under U.S. law, the 26% tariff letters were due by that date, with new duties set to take effect August 1 if no pact was reached. Officials on both sides have not ruled out a narrow interim “mini-deal” in coming days to buy time. In public and private comments, negotiators stress that they still aim to finalize a broader BTA by autumn 2025. New Delhi in particular would use an interim extension to head off immediate tariff shocks, while preserving the right to hold out on deeply sensitive issues.

Even a partial deal could have significant effects: it would roll back some tariffs, stabilize investor confidence, and strengthen cooperation (for example on defense and technology). Conversely, a failure to secure any agreement by July 9 would likely mean the U.S. moves ahead with its higher tariffs, imposing stiff new duties on Indian exports and potentially prompting India to launch WTO challenges or retaliatory measures (as signaled by its recent duty-threat notification).

In broader perspective, the outcome will shape the U.S.-India relationship going forward. A successful deal would underscore the countries' strategic partnership and reinforce supply-chain ties; it could also encourage India to diversify more advanced manufacturing (semiconductors, pharmaceuticals, energy) in step with U.S. and other allies. If talks falter, however, bilateral trade tensions could linger, and India might intensify its search for alternative markets (or deepen self-reliant “Atmanirbhar” policies). In any case, Washington has made clear it views the U.S.-India trade agenda as a key test of its economic policy in Asia. How these negotiations end — and what compromises (if any) are made — will be watched closely as a barometer of the two countries' ability to align economic cooperation with their geopolitical objectives.



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