

Strategic Synergies: India and the United States Navigate Trade, Tariffs, and Trust

Introduction

The recent four-day trade negotiations between India and the United States (US), held from 26 to 29 Mar 2025, in New Delhi, marked a sizable step toward improving bilateral economic relations between the world's two largest democracies. These talks, part of a broader strategic commitment between New Delhi and Washington, were organised in response to evolving global trade dynamics, shifting geopolitical groupings, and a shared desire to deepen economic mutuality. The discussions brought together senior government officials, trade negotiators, and sectoral experts from both sides to address longstanding tariff and non-tariff issues, improve market access, and lay the groundwork for a inclusive bilateral trade agreement. At a time when both nations are navigating complex supply chain disruptions, digital economy transitions, and growing geopolitical competition in the Indo-Pacific region, the talks underscored the importance of forging a robust, mutually beneficial economic partnership. These discussions were aimed to address various trade barriers and lay the groundwork for a comprehensive trade agreement.¹

Background

The motivation for these high-level trade talks can be traced back to the landmark joint statement issued on 13 Feb 2025, following a virtual summit between Indian Prime Minister Narendra Modi and United States (US) President Donald Trump. In a clear enunciation of their shared economic vision, both leaders affirmed their intention to elevate bilateral trade to an ambitious target of USD 500 bn by the year 2030. This vision reflects a identification of the underutilised possibility in India-US trade relations, which, despite considerable growth over the past decade, still lags behind the scale seen in other strategic partnerships of similar stature. This allegiance was further underscored during Prime Minister Modi's visit to Washington where he engaged in preliminary discussions with US officials.²

Objectives of the Negotiations

The primary objectives of the New Delhi talks included:³

- **Market Access Enhancement.** Both nations aimed to increase market access for their respective goods and services by reducing tariffs and addressing non-tariff barriers.⁴
- **Tariff Reduction.** Discussions focused on lowering import duties on a range of products to facilitate smoother trade flows.
- **Supply Chain Integration.** Both sides sought to deepen supply chain integration to promote efficiency and resilience in bilateral trade.⁵

Key Discussions and Outcomes

During the negotiations, several critical issues were addressed:

- **Agricultural Products.** India proposed reducing tariffs on various US agricultural imports, including almonds, walnuts, cranberries, pistachios, and lentils. This move aims to balance trade dynamics and address U.S. concerns regarding market access for its farm products.⁶
- **Energy Sector.** India is considering eliminating import taxes on US liquefied natural gas, reflecting its intent to increase energy imports from the US and reduce the trade surplus.⁷
- **Defence and Technology Cooperation.** US Deputy Secretary of State Christopher Landau met with Indian Foreign Secretary Vikram Misri to discuss reducing trade barriers and enhancing cooperation in defence and technology sectors, aiming to bolster regional security.⁸

The joint statement underscored the urgent need for a comprehensive, controlled, and mutually beneficial trade agreement that could address existing asymmetries, unlock new areas of cooperation, and create a foreseeable and transparent setting for businesses on both sides. It also emphasised the importance of aligning supervisory frameworks, reducing unnecessary barriers to trade, and promoting unbiased market access for goods, services, and investments. The leaders identified key sectors for enhanced partnership, including technology, energy, pharmaceuticals, digital trade, and defence manufacturing. This commitment laid the foundation for the four-day negotiations in New Delhi and signalled a renewed political will to transform the bilateral trade view.

Challenges and Contentious Issues

Despite the progress, certain challenges remain:

- **Reciprocal Tariffs.** The US plans to implement reciprocal tariffs starting 02 Apr 2025, targeting countries with higher tariffs on US goods. India seeks exemptions from these tariffs, emphasising the need for a balanced approach to avoid potential trade conflicts.⁹
- **Agricultural Sector Sensitivities.** While India has shown willingness to reduce tariffs on select agricultural products, there is domestic resistance to lowering duties on critical items such as dairy, rice, wheat, and maize, given their significance to Indian farmers.¹⁰

The planned implementation of reciprocal tariffs by the US from 02 Apr 2025, poses a direct threat to India's export attractiveness, particularly in sectors such as textiles, pharmaceuticals, and engineering goods. If India is unable to secure exemptions, these tariffs could result in higher costs for Indian products in the US market, potentially leading to trade unevenness and inhibiting investor confidence. This development also risks altering the constructive tone of the recent negotiations, introducing an antagonistic element that may complicate future rounds. For Indian policymakers, it raises the stakes in striking a balance

between accommodating US concerns and protecting key domestic industries. Moreover, reactive measures from India, though reasonable, could trigger a cycle of isolationism, undermining the shared goal of a structured and open-minded trade agreement.

On the other hand, India's cautious stance on liberalising the agricultural sector reflects deep-rooted domestic thoughtfulness. Given the socio-economic importance of agriculture, particularly to small farmers, any move to lower tariffs on critical staples like dairy, rice, wheat, or maize is politically laden. Resistance from farmer groups and regional governments may limit India's negotiating space, slowing the pace of trade reforms. This could frustrate US stakeholders who view agriculture as a priority sector for increased market access. If not carefully managed, these disputes could delay or dilute the scope of the final agreement. However, they also offer a chance to discover phased or calibrated solutions that acknowledge domestic priorities while advancing bilateral trade interests.

Strategic Measures by India

In anticipation of potential US tariffs and to foster a practical negotiating environment, India has proactively adopted a series of strategic measures designed to signal goodwill and responsiveness to American trade concerns. These steps are intended not only to avert immediate trade resistance but also to build a substance of trust essential for concluding a complete bilateral agreement:

- **Digital Advertisement Tax.** India announced the removal of the 6 per cent tax on digital advertisements, profiting US tech companies operating in India.¹¹ This tax had long been a point of disagreement with US-based tech giants, such as Google, Meta, and Amazon, which saw it as biased. Its withdrawal is a significant gesture towards addressing US concerns on digital trade and intellectual property fairness, aligning India's position more closely with global norms in the digital economy.
- **Tariff Reductions.** Beyond agricultural products, India has lowered import duties on items such as bourbon whiskey, luxury cars, solar cells, and machinery, aiming to address US concerns and aid trade.¹² These concessions aim to improve market access for US manufacturers and establish India's openness to resolving trade unevenness. Collectively, these measures reflect India's broader strategy of creating a shared and rule-based trade partnership, while preserving its long-term economic interests and global credibility as a reliable trade partner.

Path Forward

With the initial round of negotiations concluded on a promising note, both India and the US have agreed on a structured roadmap to sustain momentum and convert broad consensus into actionable outcomes. In the immediate future, sector-specific expert engagements are set to commence, focusing on priority areas such as agricultural goods, digital trade, pharmaceuticals, energy cooperation, and intellectual property rights. These virtual

discussions will enable technical teams to iron out regulatory inconsistencies, analyse market data, and build union on complex trade-related standards.

This will be followed by consecutive rounds of in-person negotiations, tentatively scheduled to begin in late May 2025. These in-person meetings will provide the space for more in-depth discussions on unresolved matters, including tariff justification, labour standards, data protection, and investment facilitation. Both sides have expressed a shared aspiration to conclude the first step of a comprehensive bilateral trade agreement by the fall of 2025—potentially aligning with key international forums such as the G20 summit, where a formal announcement could underscore their commitment to global economic cooperation.

This forward-looking process not only aims to institutionalise trade mechanisms but also to set a long-term strategic template for Indo-US economic engagement in a rapidly changing global order.

Conclusion

The conclusion of the four-day India-US trade talks marks a key moment in the evolution of bilateral economic relations. These consultations represent more than just discussions over tariffs and market access—they signal a strategic alignment between two of the world’s largest economies that gradually share common interests across trade, technology, security, and global governance. Both governments have revealed flexibility and forward-thinking approaches in addressing longstanding irritants and seizing new economic opportunities.

Despite existing challenges, such as differences over reciprocal tariffs, agricultural subsidies, and digital taxation, the overall tone of the discussions was positive, reasonable, and solutions oriented. The willingness of both parties to make concessions—such as India’s readiness to lower tariffs on liquid natural gas and certain agricultural products, and the U.S. openness to addressing India’s concerns on trade imbalances—suggests a renewed political will to move beyond transactional engagements toward a rules-based, long-term economic partnership.

As the two sides now enter the next phase of detailed negotiations, the coming months will be crucial in shaping a trade framework that not only benefits both economies but also contributes to regional stability and global economic resilience.

The recent announcement by President Trump imposing a 10 per cent baseline tariff on all imports, with a 26 per cent tariff specifically targeting Indian exports, has added urgency to Indo-US trade negotiations. Despite the economic impact on key Indian sectors like pharmaceuticals and automotive, India has chosen not to retaliate, instead focusing on accelerating dialogue to secure a balanced trade agreement. Discussions between Indian and US officials reflect a mutual interest in resolving differences, with India considering tariff reductions and increased US imports to ease tensions. These developments underscore a strategic recalibration aimed at preserving and strengthening bilateral economic ties.

Endnotes

¹Manoj Kumr, India and US making progress towards trade deal, officials say, [India and US making progress towards trade deal, officials say | Reuters](#)

² First tranche of US-India trade deal to be finalised before end of year: Centre, <https://timesofindia.indiatimes.com/india/first-tranche-of-us-india-trade-deal-to-be-finalised-beforeend-of-year-centre/articleshow/119708719.cms>

³ India and US making progress towards trade deal, officials say, <https://finance.yahoo.com/news/indiaus-making-progress-towards-140627950.html>

⁴ India-Us conclude first round of talks for trade deal, <https://timesofindia.indiatimes.com/india/indiaus-conclude-first-round-of-talks-for-trade-deal/articleshow/119719711.cms>

⁵ 4-day India-US trade talks concludes; no clarity on reciprocal tariff, <https://www.newindianexpress.com/business/2025/Mar/29/4-day-india-us-trade-talks-concludes-noclarity-on-reciprocal-tariff-2>

⁶ India offers US lower tariffs on farm imports, weighs natural gas tax cuts in rush to reach trade deal: report, <https://nypost.com/2025/03/28/business/india-weighs-natural-gas-tariff-cuts-in-rush-to-reachus-trade-deal-report/>

⁷ ibid

⁸ ⁸ India and US making progress towards trade deal, ibid

⁹ ⁹ India offers US lower tariffs on farm imports, ibid

¹⁰ ibid

¹¹ India's steps to win over US President Trump, avert tariffs, <https://www.reuters.com/world/india/indiassteps-win-over-us-president-trump-avert-tariffs-2025-03-28/>

¹² Ibid

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