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India Stands Firm on Terms in U.S. Trade Deal Negotiations

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India is holding its ground as trade talks with the United States enter a critical stage, with senior economic advisors emphasising the need to prioritise national interests in securing tariff relief and export advantages under a proposed trade agreement.

As Indian officials gather in Washington for the fifth round of discussions on a Bilateral Trade Agreement (BTA), Chairman of the Economic Advisory Council to the Prime Minister

(EAC-PM), S Mahendra Dev, underscored the importance of India negotiating on its terms. The primary aim of the agreement is to address burdensome tariffs affecting key Indian sectors such as steel, aluminium, and automotive exports. Currently, many Indian goods face additional tariffs, with steel and aluminium exports subject to duties of up to 25 per cent under Section 232 measures, and automotive products facing tariffs of 2.5 per cent to 25 per cent depending on the category.

Dev stressed that India's negotiation strategy must reflect its sovereign interests and emphasised that any final deal must be mutually beneficial. Under World Trade Organisation (WTO) rules, India retains the right to impose retaliatory tariffs if unfair trade practices persist. "The overall approach of India is negotiating trade agreements with countries on its terms and keeping in view the national interests," Dev told Press Trust of India (PTI).

Beyond the trade talks, Dev also addressed broader economic policy issues. On inflation, he rejected the need to revise the current inflation targeting framework, which sets a 4 per cent target with a tolerance band of plus or minus 2 per cent. He argued the framework has successfully balanced price stability with growth, noting that inflation control is essential for protecting low- and middle-income households. "It may be noted that higher inflation hurts the poor and middle class mostly. Low inflation is also important for sustainable growth," he said.

Looking ahead, Dev confirmed that the base year for the Consumer Price Index (CPI) will be updated to 2024 to ensure more accurate inflation tracking. He also affirmed the government's commitment to Fiscal Responsibility and Budget Management (FRBM) targets, pointing out that India's fiscal deficit has seen notable reductions in recent years.

The government's push to strengthen domestic manufacturing through the Production Linked Incentive (PLI) scheme was also highlighted. The program offers financial incentives to boost local production across critical sectors, attracting foreign direct investment (FDI) and creating employment opportunities. Dev remarked, "PLI incentives, along with Free Trade Agreements (FTAs) with other countries, should attract FDI and enhance exports."

He noted that the electronics and renewable energy industries are seeing increased investment and output, adding that the government is actively working to lower import dependency and boost job creation in these sectors. This approach, he said, reflects a broader strategy to elevate India's role in global manufacturing while reinforcing domestic economic resilience.

