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Breakdown in India-US Trade Talks Triggers Tariff Hike and Missed Opportunity

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A promising trade agreement between the United States and India collapsed after five rounds of negotiations, despite technical progress on major sticking points. Indian

officials had anticipated a favourable outcome, even signalling to the media that tariff caps might be set at 15 per cent. Instead, India was met with a sudden 25 per cent tariff on its exports to the US, effective Friday, along with potential penalties over Russian oil imports. Meanwhile, the Trump administration moved ahead with broader trade deals involving Japan, the European Union (EU), and even Pakistan.

Interviews with Indian and US officials revealed the collapse stemmed from miscommunication, political miscalculation, and unmet expectations. The two nations, whose trade relationship exceeds \$190 billion annually, had appeared close to an agreement. Indian negotiators believed President Donald Trump would announce the deal before the 1 August deadline.

India had reportedly offered zero tariffs on industrial goods, about 40 per cent of US exports to India and pledged gradual tariff reductions on American cars and alcohol. The government also committed to increasing energy and defence imports. However, agriculture and dairy remained sensitive areas for New Delhi.

A White House official told *Reuters*, “A lot of progress was made... but there was never a deal that we felt good about.” Trump reportedly wanted bigger concessions, including headline-grabbing investment commitments and broader market access, which India was unwilling to match.

Prime Minister Narendra Modi, during a February visit to Washington, committed to more than doubling bilateral trade to \$500 billion by 2030. India pledged to buy up to \$25 billion in US energy. But officials admit India became overconfident after Trump signalled optimism. Negotiators pushed for relief from a 10 per cent US tariff announced in April and sought a rollback of steel, aluminium, and auto duties.

As the US struck more generous deals with South Korea, Japan, and the EU, India’s expectations fell. South Korea secured a 15 per cent rate by offering \$350 billion in investments and concessions on rice and beef. India’s offer lacked such scale.

Lack of direct communication between Trump and Modi also hindered progress. Modi

reportedly hesitated to call, concerned about a one-sided conversation and frustrated by Trump's remarks about mediating the India-Pakistan conflict.

A senior Indian official admitted that poor judgement and weak diplomatic support contributed to the failure. On Tuesday, Trump said tariffs on Indian goods would rise “very substantially” within 24 hours, citing India's Russian oil purchases.

Talks are expected to resume. A US delegation will visit Delhi this month, and Indian officials are reviewing possible concessions in agriculture and dairy. A direct call between leaders could still salvage a deal.