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India-US Trade Deal Nears with Potential Tariff Relief

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India stands on the cusp of securing a pivotal trade agreement with the United States, with negotiations hinting at preferential tariff treatment that could shield its exporters from hefty duties set to impact other nations from 1 August. As the world's fifth-largest economy seeks to bolster its trade ties with its largest export market, the stakes could not be higher.

A senior Indian government official, speaking anonymously to Informist, described the deal as centred on “preferential treatment” for Indian goods. This could translate to lower tariffs compared to competitors like Vietnam, where goods face a 20% US duty. For instance, Indian exports might secure a reduced rate, offering a competitive edge in an increasingly protectionist global trade environment.

Led by Special Secretary and chief negotiator Rajesh Agrawal, India’s trade delegation is currently in Washington, working to finalise the agreement before the looming deadline. The talks come against the backdrop of a sweeping US tariff overhaul, spearheaded by President Donald Trump. In April, Trump announced plans for a 26% reciprocal tariff on Indian goods, though New Delhi has yet to receive formal notification. Recent letters sent to other countries suggest the final tariff structure may differ, injecting uncertainty into the process.

The US remains India’s top export destination, absorbing over 15% of its outbound shipments. In the 2024-25 financial year, India exported goods worth \$86.51 billion to the US, achieving a trade surplus of \$40.82 billion, according to India’s commerce ministry. A 26% tariff could erode this advantage, dealing a severe blow to Indian exporters in sectors like textiles, pharmaceuticals, and jewellery. Industry leaders are cautiously optimistic, banking on a preliminary deal to avert these levies.

The potential for preferential treatment offers India a lifeline in an increasingly protectionist US trade landscape. With global trade tensions rising, securing favourable terms could solidify India’s position as a key player in the American market. As negotiations progress, the outcome will shape not only bilateral trade but also India’s broader economic strategy in a volatile world.