

India's Trade Deals: Giving more, getting less

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Within a fortnight after announcing a [trade deal with the EU](#), the Indian government announced its entry into a “framework agreement” on [trade](#) with the US—a precursor to an “interim agreement” and a subsequent full-fledged bilateral trade agreement. Both “trade deals” were concluded in a rush, having been in various stages of [negotiation](#) for years. In both cases, the Indian government has offered far more concessions than it received in return, with adverse implications for the livelihoods and earnings of some of the most vulnerable sections of the country's population.

There is one difference, however. The trade deal with the EU reflected the needs of both partners to strengthen economic relations in a context where the US under Donald Trump had turned aggressive and weaponised tariffs to achieve both economic and political goals. What was surprising there was that, although the EU's need for a strengthened partnership was greater than India's, it was India that was more generous with concessions to forge the deal. In the case of the US, the threat was daunting. India was faced with the prospect of prolonged exclusion of its exports from the US for two reasons. It was the target of a basic countervailing tariff of 25 per cent, which was higher than the 19 to 20 per cent imposed on many of its competitors. It was subjected to an additional penal tariff of 25 per cent because of its import of crude from a sanctioned Russia.

No “special relationship” concessions

Even before the deal was announced, the Modi government had begun making cuts in response to Trump's call for reduced imports of Russian crude. The pace of reduction was hampered only by the unwillingness of some of the Indian government's business allies to forego the windfall profits they made from the trade, and by the ease and cost of sourcing quality crude from other sources. The slow pace was also influenced by the fact that the government was unprepared for the penal tariff, in the belief that a friendly US government under Trump would waive sanctions for India in recognition of a special relationship.

With that faith belied, the government's first response was to rhetorically stand up against US “aggression” and assert its sovereign right to source crude in keeping with India's national, economic, and strategic interests. But the show of independence did not last long, paving the way for the framework trade agreement, although government spokespersons continue to hold that India's decisions on the matter would be guided by national interest.

What is conveniently ignored is that Trump has set up a committee led by US Commerce Secretary Howard Lutnick to “monitor whether India resumes directly or indirectly importing Russian Federation oil”. That makes any transgression of the “commitment” to reduce difficult. To the extent that reduced imports of Russian crude affect domestic availability, an increase in energy costs with follow-on effects is inevitable.

What is intriguing, however, is the distance to which the Indian government was willing to go to “win” an agreement. The terms of the deal, and therefore the likely shape of the bigger sequel, indicate that India has gone well beyond the reduction in imports of Russian crude and

offered concessions and held out promises in a wide range of areas. In the process, it has sacrificed the interests of large sections of Indian producers.

Agriculture and manufacturing hit

Tariff concessions that dramatically reduce protection for Indian produce are grabbing attention. The joint statement indicated that “India will eliminate or reduce tariffs on all US industrial goods and a wide range of US food and agricultural products, including dried distillers’ grains (DDGs), red sorghum for animal feed, tree nuts, fresh and processed fruit, soybean oil, wine and spirits, and additional products.”

India’s effective, trade-weighted tariff on imports from the US, which in 2024 stood at about 7.3 per cent overall, 14.6 per cent for agricultural products, and 6.8 per cent for non-agricultural products would move down sharply as the agreed reductions take effect. The impact would be widespread in agriculture, hitting producers of crops for animal feed and vegetable oil to growers of cotton, apple, nuts, and fruits. The tariff impact is likely to be heightened by commitments to do away with what the US considers to be a range of non-tariff barriers that could pave the way for enhanced imports of cheap, genetically modified product varieties. An agricultural sector that is already confronted with poor returns and non-viability of crop production is being subjected to further pain.

In manufacturing too, while the US has relaxed the combined reciprocal-cum-penal tariff of 50 per cent to just 18 per cent, India has moved closer to zero per cent from tariffs that were significant despite past liberalisation. In return for some room for manoeuvre for exporters of apparel, leather goods, gems and jewellery, and handicrafts, tariff protection for producers of manufactured goods has been brought down to damaging levels.

The framework also includes a clause that has implications for the contentious area of digital trade where rules regarding data collection and use, data localisation and taxes on digital services (especially e-commerce) are crucial. It commits both countries to addressing “discriminatory or otherwise burdensome practices and other barriers to digital trade” and to ensure adoption of “robust, ambitious, and mutually beneficial digital trade rules”. While it is unlikely that Indian software and IT-enabled services exporters would benefit from this, it would definitely work to the advantage of global e-commerce majors and software-as-a-service providers.

Split with Russia

To top it all, India has expressed in writing its intention to purchase “\$500 billion of US energy products, aircraft and aircraft parts, precious metals, technology products, and coking coal over the next five years”—or an average of \$100 billion each year, compared with imports from the US that were short of \$50 billion in 2024-25. That promise signals a commitment to replace Russian with US energy imports despite cost implications, and a preference for US products when meeting expected increases in Indian demand for passenger aircraft, defence equipment, and information technology products. Tied imports inevitably have adverse cost implications.

The Indian government claims that this agreement is historic because it involves a reduction of the “reciprocal tariff” imposed on India to a “highly competitive” 18 per cent from 25 per cent, and does away with the penal 25 per cent tariff imposed as punishment for importing Russian crude. But the tariff rate for India is still in the 18-20 per cent range applicable to many

competing countries, and the reduction in imports of Russian crude is a heavy cost in both economic and strategic terms to pay for less onerous access to US markets.

It is a waning US that needs global demand to revive an economy in decline, and Trump is weaponising tariffs as a way of diverting global demand to the US. That being the objective, no deal with the US can be in favour of the “partner”. But in India’s case the terms of engagement under the new relationship go further, leading to capitulation framed as agreement.

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