India–US Trade Pulse:

Flows, Shifts, Opportunities

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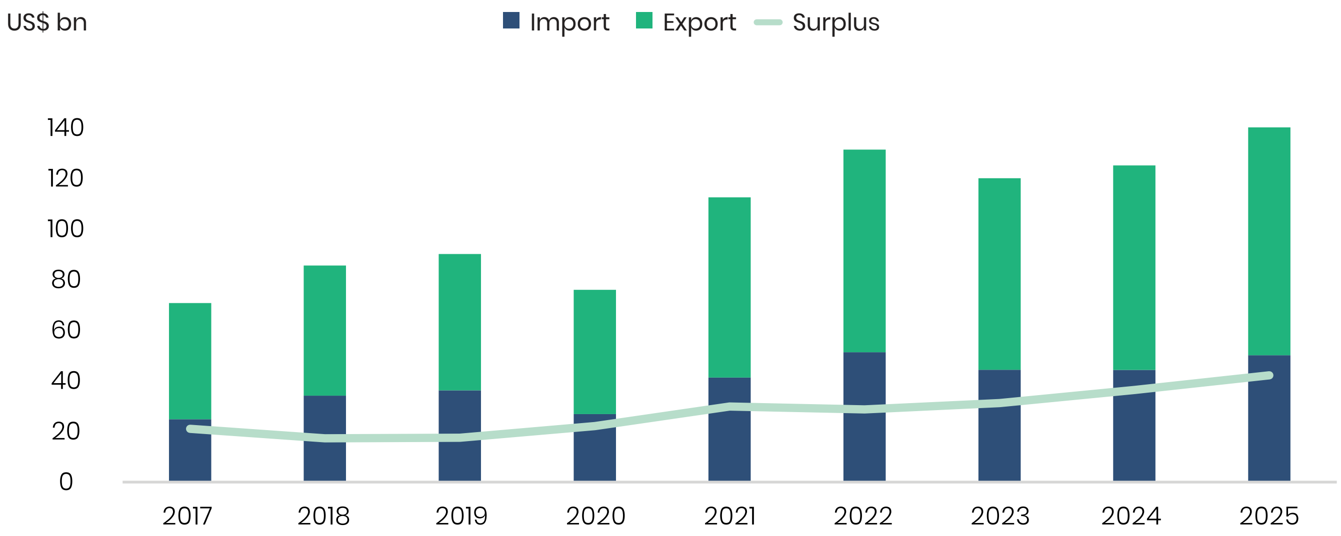
Introduction: The Strategic Importance of the India–US Trade Corridor

Among India's global trade relationships, the India–US corridor stands out for both scale and value. The United States is now India's largest trading partner and one of the few major economies where India consistently runs a sizeable trade surplus. This makes the corridor not just large, but strategically valuable.

What differentiates the US market is not only scale, but depth of demand across high-value categories — pharmaceuticals, engineering goods, electronics, gems and jewelry, and increasingly, clean-energy linked manufacturing. For Indian exporters, this combination of volume, diversity, and pricing power is difficult to replicate elsewhere.

India's total trade (Exports + Imports) with the US has grown, but mainly due to increase in exports



Source: DGFT

Trade Insight

The US is no longer just India's biggest export market — it is the most commercially resilient one, combining demand stability with widening market access.

Evolution of India–US Trade Relations

From episodic trade to structural linkage

Over the past two decades, the India–US corridor has scaled dramatically—helped by deeper commercial ties and expanding sector overlap. On the US side, official data shows goods trade with India reached ~US$149.4 billion in 2025, with imports from India rising strongly.

This scale matters because it changes the nature of the relationship: when a corridor becomes a top-tier trade line, it attracts more policy attention, more scrutiny on standards and compliance, and stronger incentives to formalize market access through negotiated frameworks.

Timeline: Key Turning Points

- 2019–2020: Frictions on tariffs/market access; greater policy focus on trade barriers (context for later negotiations).
- 2024–2025: India–US goods and services trade expands; US data estimates total goods+services trade at US$212.3 billion in 2024.
- Feb 2025: BTA negotiations launched, with an ambition to expand trade significantly by 2030 (policy anchor for subsequent talks).
- Feb 2026: Interim Trade Agreement framework announced, setting terms on tariffs, Non-Tariff Barriers (NTBs), digital trade, and supply-chain alignment.

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The corridor's expansion is no longer just market-driven; it is now increasingly shaped by negotiated rules on tariffs, standards, and economic security.

Major Recent Developments & Policy Changes (2026 Interim Framework)

The Interim framework: What's new, what's actionable

The February 6, 2026 Joint Statement lays out a framework for an Interim Agreement, explicitly positioned as a bridge to the broader BTA negotiations launched earlier. The framework is noteworthy for exporters because it combines tariff resets with commitments on non-tariff barriers, rules of origin, standards cooperation, digital trade rules, and supply-chain resilience.

What changes	Why it matters to Indian exporters
The US applies an 18% reciprocal tariff rate on Indian-origin goods; tariffs expected to be reduced or eliminated for selected sectors subject to conclusion of the BTA (including generic pharmaceuticals, gems & diamonds, aircraft parts).	Immediate improvement in pricing headroom and buyer confidence in categories central to India's export basket.
India to eliminate/reduce tariffs on all US industrial goods and a wide range of agri/food products.	Cheaper inputs/capital goods may improve exporter cost structures; also sets the reciprocity logic for market access.
Both sides to address non-tariff barriers; India to address long-standing barriers in medical devices, ICT import licensing, and standards/testing alignment.	Signals a shift toward procedural predictability, which reduces friction for cross-border trade operations and approvals.
Commitment to digital trade rules and pathway for ambitious digital trade outcomes in the BTA.	Material for IT-enabled exporters and digitally mediated trade models; reduces uncertainty around cross-border digital barriers over time.
India intends to purchase US$500 billion of US products over 5 years (energy, aircraft/parts, tech products, coal, etc.).	Rebalances the relationship; also likely deepens logistics, shipping lanes, and bilateral commercial engagement.

Following the US Supreme Court decision holding that IEEPA does not authorize tariffs, the legal basis for certain tariff actions has changed, potentially affecting how future US tariff measures are structured. However, even in the present format, many Indian industries are likely to be positively impacted including gems & jewelry, leather & leather products, textiles, chemicals, seafood and engineering goods.

Navigating Tariffs & Market Access

For many exporters, the most important shift is not the headline tariff number alone; it is the combination of tariffs, standards, approvals and documentation. The Interim framework calls out non-tariff barriers and standards/conformity procedures, signaling that future competitiveness will increasingly depend on compliance maturity, not only price.

Tariff Reset: What exporters should interpret

The Joint Statement specifies the US reciprocal tariff rate of 18% and a pathway for removal on a broad range of goods, contingent on conclusion. For exporters, this creates a stronger basis for re-pricing conversations with US buyers and for re-engaging categories that were commercially squeezed by elevated tariffs earlier.

Where India's export strength is concentrated (FY25)

India's major exports to the US (FY25)	Value (US$ bn)
Electrical machinery & equipment	15.89
Gems & jewelry (precious stones/metals)	9.97
Pharmaceutical products	9.78
Machinery & mechanical appliances	6.69
Mineral fuels/oils	4.20
Articles of iron or steel	3.11

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For exporters operating in the categories above, the corridor's scale is already proven. The opportunity now is to use improved predictability to win share—by tightening service levels, compliance, and buyer responsiveness.

The Interim framework highlights NTBs and mentions India's intent to address barriers around medical devices, import licensing for ICT goods, and acceptance of standards/testing requirements in identified sectors. This matters because for many categories, a key barrier is time-to-approval and documentation friction, which affects delivery commitments and buyer confidence.

India–US Trade Corridor: Key Sector Insights

The 18% tariff reset improves near-term feasibility, but outcomes will vary sharply by sector—depending on exposure to Section 232, cost structure, and compliance friction. The following sector snapshots highlight where tariff relief converts into advantage, and where structural risks still cap upside.

Sector	Key India-US Trade Data (Latest)	Tariff Changes & Implications	Challenges to Watch	Opportunities to Capture
Plastics Packaging & FIBC				
Plastics Packaging & FIBC	The US is India's #1 plastics export destination India-to-US plastic exports: $985.5M in FY25, up 16.6% from $845M in FY24	Pre-Aug 2025: ~0.5-10% baseline US duties Aug-Dec 2025: Up to 50% tariffs (25% reciprocal + 25% punitive) Feb 2026 Deal: Reduced to 18% effective immediately PLEXCONCIL advocating for BTA to further reduce to 0%	18% tariff still raises costs vs. pre-2025 baseline Competition from China/Vietnam for commodity plastic goods Raw material price volatility (crude-linked) US de minimis rule changes impacting small B2C shipments	US supply chains diversifying away from China 18% tariff is below most ASEAN peers. This is a competitive window
Textiles: Apparel, Garments & Home Furnishings				
Textiles: Apparel, Garments & Home Furnishings	India Textile & Apparel exports to US: $10.94B in FY25 — US is the single largest market (28-29% of India's total T&A exports)	Aug-Dec 2025: 45-50% tariffs considerably affected India's cost advantage US Textile & Apparel imports from India fell ~31% YoY in November 2025 Feb 2026 Deal: Back to 18% — significant relief for exporters	Trust deficit with US buyers after 5 months of tariff disruption An MSME-heavy industry structure constrains the sector's capacity to withstand abrupt margin pressure from tariffs and costs.	India's 18% tariff rate is below China, Vietnam, Bangladesh — offering a strong competitive advantage to exporters Production Linked Incentive (PLI) scheme: Rs.10,683 cr outlay to boost MMF (Man-Made Fibre) & technical textiles
Seafood: Frozen Shrimp				
Seafood: Frozen Shrimp	US: India's #1 seafood buyer at $2,714.94M in FY25, up 6.5% YoY. Frozen Shrimp accounts for 92.55% of India's total seafood exports to US by value. Vannamei shrimp dominates (~84% of total shrimp export volume).	US producers have a history of filing antidumping/countervailing duty petitions on Indian shrimp. Any new petition could layer additional duties on top of 18% reciprocal tariff.	Disease risks: EMS (Early Mortality Syndrome), White Spot Syndrome Virus pose supply consistency risks. Heavy reliance on Vannamei monoculture is a structural vulnerability	GST reduced on 20+ aquaculture inputs. Pradhan Mantri Matsya Sampada Yojana: Rs 2,403 crore in cold storage, processing, and transport infrastructure.

Seafood: Frozen Shrimp				
		US producers have a history of filing antidumping/countervailing duty petitions on Indian shrimp. Any new petition could layer additional duties on top of 18% reciprocal tariff.	Structural volume decline from FY22 peak — India must grow value ($/MT) not just volume; value-added processed shrimp is the strategic path	The Marine Products Export Development Authority (MPEDA) has supported 83 value-added seafood units supported with Rs 101.9 crore
Engineering Goods				
Engineering Goods	India's engineering goods exports to the US were ~USD 19.15 billion in FY25, making the US the largest market.	Aug–Dec 2025 tariffs of up to 50% sharply impacted price competitiveness, especially for steel- and aluminum-linked products.	High exposure to Section 232 tariffs continues to constrain exporter margins and volumes.	Tariff normalization to 18% provides relief for non-Section 232 items, improving competitiveness. PLI support for automobiles, auto components, specialty steel, and capital goods strengthens domestic capacity

Note:

- What is Section 232? Section 232 is a provision of the US Trade Expansion Act of 1962 that allows the US government to impose import restrictions if imports are deemed to threaten national security.
- Key Indian exports such as steel, aluminum, automobiles, and metal-intensive engineering goods fall under Section 232.
- These products continue to face elevated Section 232 duties even when broader US-India tariffs are reduced through trade deals.

Riding the Waves of Change: US supply chain realignment & its impact on India

China+1 Strategy and how it bodes well for India, sectors at the forefront of this shift

Independent of trade agreements, US sourcing strategies are increasingly shaped by the China+1 strategy, aimed at reducing exposure to concentrated manufacturing geographies. India's emergence as a manufacturing alternative is underpinned by policy incentives such as Production-Linked Incentive (PLI) schemes and a steady expansion in investment-led capacity.

In parallel, the Interim framework positions the bilateral relationship around resilient supply chains and economic security alignment, signaling deeper cooperation in strategic supply categories and closer policy coordination.

Supply-chain shift	What it means for exporters
Electronics manufacturing diversification into India (reported investments and production shifts).	Greater upstream/downstream export opportunity in components, assemblies, contract manufacturing.
Energy transition cooperation (investment facilitation and collaboration signals).	Emerging corridor potential in clean-tech supply chains, equipment, and industrial inputs.
Formal push for supply-chain resilience under the interim framework.	"Preferred partner" positioning—creates stickier buyer relationships when reliability becomes a procurement requirement.

Challenges & The Road Ahead

As negotiations advance toward a fuller BTA, trade issues like tariffs, NTBs, technical barriers, customs facilitation, services, digital rules, and IP-related concerns remain in scope across official and policy reporting. Sustainable growth will require concerted efforts to boost competitiveness through skill development, stronger compliance and more efficient supply chain networks.

Exporters should plan for a corridor where documentation discipline, standards readiness, and compliance visibility become competitive advantages—not overhead.

Way Ahead – Strategies for Indian Exporters

1. Re-price intelligently for the new tariff environment

Use the tariff reset and improved predictability to revisit long-term pricing, especially in categories where competitiveness was squeezed.

2. Invest in "compliance velocity"

Reduce friction by improving readiness on documentation, standards alignment, and approvals—especially where NTBs are being addressed.

3. Build stickiness: Move from vendor to long-term supply partners

In a friendshoring world, buyers will reward reliability, traceability, and responsiveness, not only cost.

4. Treat the US corridor as a portfolio—categories + channels

Where relevant, complement B2B channels with distributor partnerships and digital discovery to widen buyer access as digital trade rules evolve.

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The next phase of India–US trade will reward exporters who can pair cost competitiveness with predictability—across policy direction, demand visibility, and compliance requirements—as the corridor moves toward deeper rule-setting and supply-chain integration.

About Drip Capital

Drip is a financial technology company building modern infrastructure to make trade finance and B2B commerce easy and accessible for small businesses worldwide. Its AI native, predictive underwriting and processing engine streamlines credit assessment and automates end-to-end transaction workflows. To date, Drip has facilitated more than $8 billion in cross-border trade for 11,000 businesses across 60 countries.

Working to close the $1.8 trillion global trade finance gap, Drip enables small and midsize businesses to trade with confidence across borders. The company has built a strong partner ecosystem—including leading capital providers such as Barclays, TD Bank, and the IFC, as well as logistics firms, insurance brokers, and B2B invoicing platforms—to expand distribution and impact. Drip is backed by global investors including Accel, Sequoia, Wing VC, Sumitomo Mitsui Banking Corporation and Y Combinator.

Drip Capital Offerings

At Drip Capital, we empower businesses with fast, flexible, and collateral-free solutions for both working capital and procurement, designed to support every stage of global trade.

In India

1 We support Exporters through innovative Receivable Financing

- Disburse funds within 24 hours
- Credit lines of up to US $3M
- Flexible repayment terms of up to 150 days
- Collateral free working capital

2 We also support Exporters by giving them access to funds against the PO

- Get up to 60% advance payment even before shipment
- Collateral free working capital
- Get finance in the form of turnover boost
- Improve supplier relationships by timely payments & improve Margins via bulk purchase & cash discounts
- Enhance credibility & business growth by timely order fulfillment

3 We Support Importers through innovative procurement solutions

- Procurement Limits of up to US $3M
- Get up to 90 days to pay when you procure your goods
- Improve margins with cash discounts through supplier prepayments
- Paperless digital process

In the USA

4 We help US buyers manage payables with flexible financing

- Credit lines up to US $3M
- Unsecured structure — no collateral or upfront UCC filing required
- Repayment terms up to 120 days
- Drip pays your suppliers—in the US or overseas—directly
- Designed to work alongside existing senior credit facilities

For more information, please call: +91-9987-779-334 or e-mail us at trade@dripcapital.com

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This newsletter has been prepared by Drip Capital and its knowledge partner Dun & Bradstreet India.