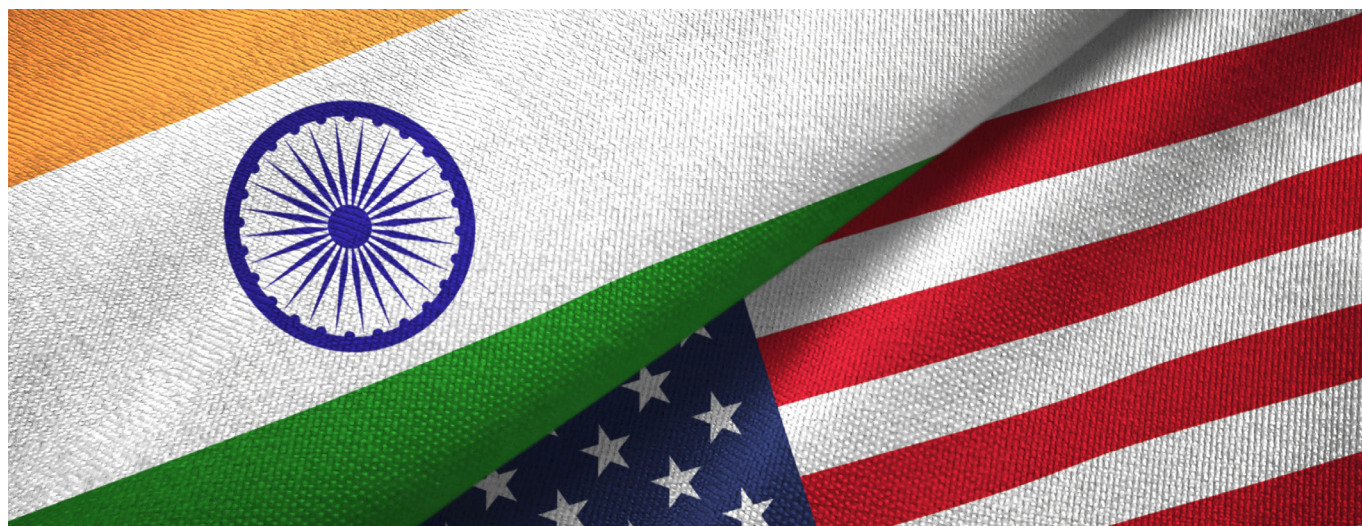




# The U.S.–India Trade Deal: The Road Ahead





The U.S.–India trade deal announced in February represents a significant realignment in bilateral economic relations, creating an interim trade framework that resets tariffs, improves market access, and lays groundwork for a full Bilateral Trade Agreement (BTA). The U.S. will sharply lower reciprocal tariffs on Indian exports bringing it slightly below par with its Asian peers, while India commits to broad tariff and non-tariff barrier reductions on U.S. goods and deepens economic cooperation across energy, technology, and regulatory standards.

## Key Highlights of the Deal

- The headline component of the deal is the tariff reset – the United States has reduced its effective tariffs on Indian goods from 50 % to 18 % across a wide set of products, with later plans to zero out duties on pharmaceuticals, gems, diamonds and aircraft parts.
- Even after the trade deal, U.S. Section 232 tariffs on steel, aluminum, copper etc. will remain at 50%, and on few auto components at 25%. Also, zero tariffs for some pharmaceuticals, aircraft and parts, some mechanical and electronic components will continue.
- India in turn has agreed to eliminate or reduce tariffs on all U.S. industrial goods and a wide range of U.S. food/agricultural products, including dried distillers' grains, sorghum for feed, tree nuts, fruits, soybean oil, wine and spirits.
- In addition to tariff adjustments, the framework incorporates commitments on non-tariff barriers (NTBs), aiming to simplify certification processes, reduce procedural delays, and align standards in sectors such as medical devices and ICT goods, where regulatory friction has long affected trade flows.
- Both sides also pledged cooperation on digital trade rules, investment reviews, and supply chain resilience, reflecting the broader strategic dimension of the deal beyond traditional tariff liberalization.
- India has also pledged large aggregate purchases of U.S. goods – up to USD500 billion over five years – including energy and technology products, in part contingent in India significantly reducing imports of Russian crude.

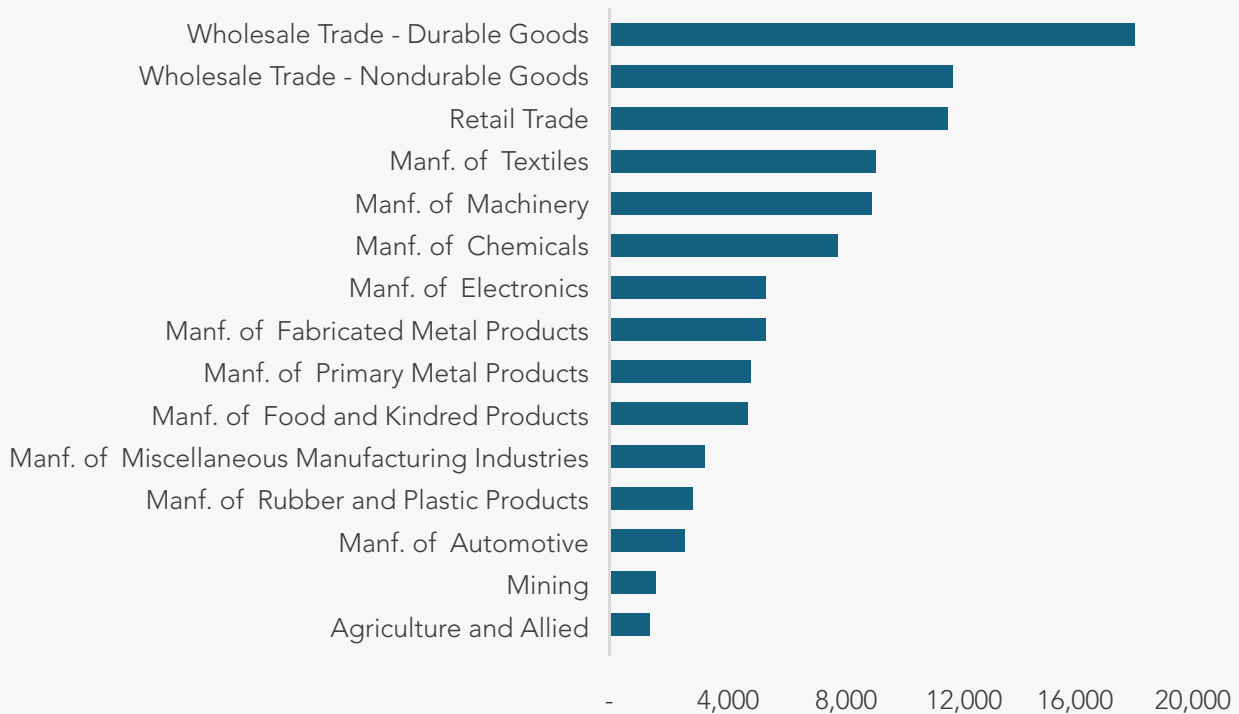


## Key Beneficiaries

From a supply chain perspective, this reset is particularly relevant given India's depth and scale within U.S. sourcing networks. Dun & Bradstreet's data shows that out of an estimated 4.1 million suppliers supporting U.S. businesses, around 1.1 million are foreign suppliers, of which approximately 112,000 are based in India – making India the second largest foreign supplier base after China. These supplier counts include only

merchandise trade segments. This breadth implies that even a partial tariff rollback can have a wide and fast acting transmission through U.S.–India supply chains, amplifying its macro and sectoral impact. Sectors that bore the brunt of the U.S. tariff shock – textiles, gems & jewelry, and marine products – should see an improvement in order inflows as delivery prices soften.

## Sector-wise Count of Indian Suppliers to the U.S.



Source: Dun & Bradstreet

## Four key areas to watch

### 1. Macro balance

India–U.S. merchandise trade has carried an imbalance for many years, well before the 2025 tariff changes. Since 2019, India’s exports to the U.S. have grown by more than 50%, while imports from the U.S. have risen at less than half that pace. This means India still has a relatively small base from which to scale up large new purchases from the U.S. If India brings in U.S. energy, aircraft and advanced

equipment in a front-loaded manner, the import bill could rise quickly, which may put short-term pressure on the current account and the rupee, especially in a period of tight global financial conditions. Export growth needs to stay strong, otherwise the balance of payments could become more sensitive, particularly if global energy prices increase.

### India’s total trade (exports+imports) with the US has grown, but mainly due to increase in exports



Note: 2025 is until December

Source: DGFT

### 2. Industrial policy tension

The Make in India and the PLI schemes aim to strengthen domestic capability in capital goods, electronics, medical devices and aerospace components. The trade deal opens these same areas to greater U.S. participation. With lower tariffs, easier certifications and

smoother market entry, imports of advanced machinery and electronic equipment could rise unless supported by localization targets or technology-transfer arrangements. Without these, domestic firms may take longer to move up the value chain.

### 3. Agriculture

Agriculture remains the most sensitive part of the agreement. Staples such as wheat, rice and dairy have been kept out, but India will reduce tariffs on nuts, fruits, soybean oil, feed grains and processed foods. These cuts could soften farm-gate prices in some vulnerable parts of the value chain. Horticulture and oilseeds are likely to feel the most pressure from cheaper U.S. products. Balancing consumer interests and farm incomes will require careful use of tariff-rate quotas, seasonal windows and safeguard tools.

### 4. Services

Services may now face fewer direct effects from goods-related tensions. However, unlike the India–EU agreement, this deal offers limited clarity on services. Important gaps remain on issues such as H-1B-type work visas. This leaves India’s IT and professional-services exporters without a clear view of future access and mobility.

## Sector-specific watch points

Several sectors face higher competitive pressures even as headline gains dominate.

- In **premium alcoholic beverages**, duty reductions for U.S. wine and spirits could expand market entry for American bourbon, though the minimum import price mechanism shields mass and mid premium domestic brands. Indian ultra premium labels, however, may face some erosion at the top of the market.
- **Automobiles** face more substantive competition, particularly in the premium two wheeler and premium passenger vehicle segments where duty cuts favour U.S brands. Indian manufacturers will need to defend market share as American motorcycles and SUVs enter at lower price points. The EV segment remains protected, offering domestic automakers an important buffer.
- In **aerospace**, rising commercial orders for U.S. aircraft and tariff free entry for U.S. components shrink the domestic addressable market for civil aerospace producers. Without strong local content rules or co production arrangements, India risks relying more heavily on imported platforms across civil and dual use segments.
- India’s **capital goods** ecosystem faces similar pressures: duty elimination on U.S. machinery, ICT hardware and medical devices could gradually tilt procurement toward higher specification American systems. Domestic mid tier suppliers may see pricing power narrow over time.
- In **chemicals** and **polymers**, lower landed costs for U.S. intermediates and specialty inputs could intensify competition in segments where Indian producers are striving to climb the value chain. The risk is a slow erosion of margins rather than immediate displacement.
- **Agriculture** remains the most sensitive. Lower tariffs on U.S. horticultural produce and soybean oil could affect India’s own orchard and oilseed ecosystems – segments where climate volatility and fragmented supply chains already create instability. The policy challenge will be to balance consumer inflation targets with rural income objectives.

## The USD 500 billion question

Official messaging has described the USD 500 billion figure as a broad expectation of potential procurement rather than a contractual binding. However, given the modest growth of U.S. imports into India over five years, approaching even a substantial fraction of this number will be difficult without sustained capex cycles and favorable price dynamics.

Energy could account for a particularly large share of additional imports if India meaningfully substitutes Russian crude with U.S. barrels. This shift is already underway: Russia supplied 34% of India's crude imports by value in November 2025, and the framework anticipates a phased reorientation toward U.S. and Venezuelan grades, with the latter recently pricing below both U.S. and often Russian cargoes. As this realignment progresses, cost dynamics will matter – higher landed prices for U.S. crude could complicate the economics even if volumes rise. Aviation provides clearer visibility. Indian airlines have already placed large orders with U.S. aircraft makers, estimated at USD 70–80 billion. But even these orders represent only a small part of the broader procurement target. Taken together, the USD 500 billion figure should be viewed more as a directional goal than as a realistic five-year benchmark.

The framework also operates in an environment of policy uncertainty. The U.S. has reversed tariff concessions for other partners in the past, raising questions about long-term predictability. India faces its own constraints, including agricultural sensitivities, regulatory capacity and competing geopolitical priorities. These factors may slow progress on standards, procurement, and market-access commitments.

### What to watch

- Localization, co production and technology transfer provisions in the upcoming BTA
- The pace and cost of India's shift away from Russian crude
- Safeguard measures for horticulture and oilseed chains
- Import patterns in capital goods and high spec machinery
- The U.S. tariff posture toward other partners and implications for India's relative competitiveness

## Conclusion

The trade deal removes uncertainty around tariffs and opens greater market access for India. But its impact is uneven. India gains relief for its labor-intensive exports, while also taking on more import dependence in high-value sectors that are important to its industrial plans. The long-term outcome will depend on how well India manages safeguards, standards, localization and strategic procurement – and on whether the U.S. maintains its current tariff stance. The agreement should be viewed as a starting point for deeper cooperation with its success resting on how both sides handle these built-in imbalances.



**Disclaimer:**

Dun & Bradstreet makes no representations or warranties, express or implied, with respect to information provided and the results of the use of such information, including but not limited to implied warranty of merchantability and fitness for a particular purpose, warranties of accuracy, completeness, or currency. Neither Dun & Bradstreet nor any of its parents, subsidiaries, affiliates or their respective partners, officers, directors, employees or agents shall be held liable for any damages, whether direct, indirect, incidental, special or consequential, including but not limited to lost revenues or lost profits, arising from or in connection with use or reliance on the information provided in this report. Recipients of these reports are responsible for determining whether the information contained herein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.