India-US Trade Talks – Falling Trade Surplus & the Stakes in the New Deal

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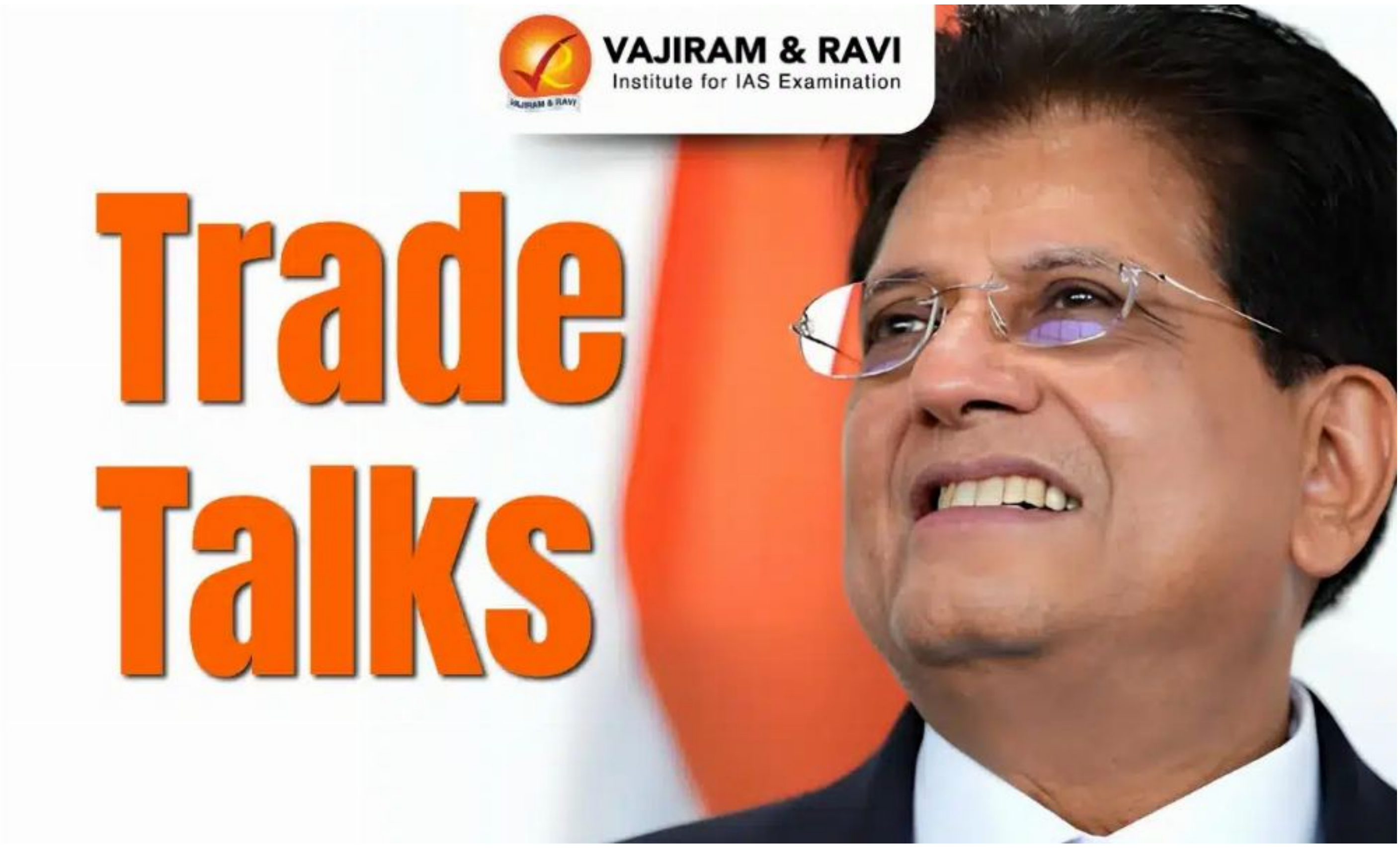

Trade Talks Latest News

- Union Commerce Minister **Piyush Goyal** has begun high-level talks with US Trade Representative Jamieson Greer to finalise the first tranche of an India-US trade deal, even as India's trade surplus with the US has fallen by over 40%.

India-US Trade Relations

- India and the United States share one of the world's most important bilateral economic relationships.
- India's goods trade with the U.S. totalled an estimated **$149.4 billion in 2025**.
- Trade between the two countries includes:
    - Indian exports include pharmaceuticals, engineering goods, petroleum products, gems and jewellery, textiles, electronics, and chemicals.

- US exports include crude oil and LNG, defence equipment, agricultural products, aircraft parts, machinery, electronics, and medical instruments.
- The relationship has expanded beyond merchandise trade to include:
  - Services trade, especially IT and business services.
  - Investment flows, though, net FDI trends have weakened in recent years.
  - Technology cooperation in semiconductors, digital trade, and advanced manufacturing.
  - Strategic supply chains, especially in energy and defence.
- At the same time, India-US trade ties have often seen friction over tariffs, market access, agricultural subsidies, digital regulation, and localisation rules.

Key Issues in India-US Trade Ties

- A central issue has been the trade imbalance, with India traditionally enjoying a surplus in merchandise trade with the US. Washington has often pushed for:
  - Greater access for US farm products,
  - Lower tariffs on industrial goods,
  - Better terms for energy exports,
  - Easier market access for American companies.
- India, on the other hand, has sought:
  - Better access for its manufactured goods and services,
  - Predictable tariff treatment,
  - Recognition of its concerns on farm livelihoods,
  - Protection from heavily subsidised agricultural imports.
- The wider trade environment has become more uncertain because the US is expected to complete its **Section 301 investigation** and unveil a new tariff architecture, which may become an alternative to reciprocal tariffs.

News Summary

- India and the US have entered a critical phase of trade negotiations, with Commerce Minister Piyush Goyal holding two-day talks with US Trade Representative Jamieson Greer to finalise the first tranche of a trade agreement by next month.

Trade Surplus Has Fallen Sharply

- Data from the Commerce and Industry Ministry show that **India's trade surplus with the US has declined by over 40% since negotiations began last year** after Prime Minister Narendra Modi's meeting with then US President Donald Trump on February 13, 2025.
  - India's export surplus fell to $2.94 billion in May 2026
  - It had stood at $5.02 billion in May 2025
- This sharp decline shows that India's trade position with the US has weakened even before the deal is concluded.

Concessions Already Affecting Trade Balance

- The decline in surplus is linked to a number of concessions and changing import patterns.
- Before the Prime Minister’s US visit last year, India:
  - Reduced duty on American bourbon whiskey
  - Slashed tariffs on Harley-Davidson motorcycles
- In addition:
  - Indian public sector refiners signed a one-year deal last November to import 2.2 million tonnes per annum of US LPG
  - Amid disruption in LNG supplies from West Asia, the US became India’s top source of LNG in May 2026
- This suggests that the US has already gained greater export access in energy and premium consumer segments.

Declining Exports, Rising Imports Across Sectors

- The data indicate that India’s trade surplus is shrinking in several sectors beyond energy. In petroleum products:
  - India’s exports to the US in March 2026 fell 24.02% to $235.47 million
  - Imports from the US in the same category rose 130.95% to $321.73 million
- In electronic components:
  - India’s exports fell 33.41% to $135.54 million
  - Imports from the US jumped 136.30% to $431.89 million
- A similar pattern was visible in:
  - Organic chemicals
  - Copper products
  - Motor vehicles
  - Fresh fruits
  - Scientific instruments
- In many of these categories, exports slipped while imports rose sharply, pointing to stronger US competition in the Indian market.

Agriculture Remains the Most Sensitive Issue

- The most contentious element in the negotiations continues to be agriculture.
- Several farm groups have warned the government not to compromise on farm imports, especially because the US has one of the largest agricultural subsidy programmes in the world.
- Concerns have been raised for producers of Apples, Almonds, Walnuts, Soybean, Cotton and Rubber.
- Farm groups argue that allowing heavily subsidised US farm goods into India would:
  - Hurt domestic farmers,
  - Undermine India’s long-standing WTO stance against US farm subsidies,
  - Damage rural livelihoods, especially in hill and rainfed regions.

- Apple growers from Himachal Pradesh, Jammu & Kashmir, and Uttarakhand have said that even a minimum import price may not protect them adequately because US apples are already entering at higher price points.
- Farmer organisations have also pointed out that the US Farm Bill has allocated extremely large financial support packages over the years, while Indian farmers effectively face a negative producer support environment.

Strategic Context of the Talks

- These talks are taking place at a time when the US is preparing a new tariff regime under the Section 301 process.
- This means the agreement is not just about improving trade ties but also about shielding India from potentially harsher tariff action later.
- Government officials have indicated that the current talks are expected to give the “final touch” to the first tranche of the agreement.

Significance

- The current round of India-US trade talks is important for several reasons.
- **First**, it will shape the future of India’s access to one of its biggest export markets.
- **Second**, it comes at a time when India’s trade surplus with the US is already narrowing, meaning the room for further unilateral concessions may be limited.
- **Third**, agriculture remains politically and economically sensitive, and any compromise could have direct implications for farm incomes and India’s WTO position.
- **Finally**, the talks reflect a broader strategic balancing act: India wants deeper economic ties with the US, but without weakening domestic manufacturing, agriculture, or trade policy autonomy.

Source: IE | TH
