

India US Trade Deal: How Trump Reshaped India's Trade Strategy

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India US Trade Deal Latest News

- India and the United States announced a long-awaited trade deal, sharply reducing the tariff rate on Indian goods from a punitive 50% to 18%.
- The agreement comes after months of negotiations that began in February, amid sustained pressure from the Trump administration on trade imbalances.

Trump's Trade Deficit Push and India's Action

- A major driver behind the negotiations was President Donald Trump's repeated concern over **India's goods trade surplus with the US**.
- Even before taking office, Trump flagged the deficit as a priority issue, setting the tone for tougher trade engagement with India.

Also Read: [India-US Trade Reset](#)

India Steps Up US Imports

- Recent trade data indicate that India responded by increasing imports from the US, helping narrow the trade gap.
- According to the Commerce and Industry Ministry, India's goods **trade surplus with the US almost halved**, falling from \$3.17 billion in April to \$1.73 billion in November.

Impact of High US Tariffs

- The imposition of 50% tariffs from August 2025 led to a noticeable decline in Indian exports to the US.
- Exports fell from \$6.86 billion in August to \$6.30 billion in October, with labour-intensive sectors such as garments, footwear and sports goods hit the hardest.
- At the same time, **imports from the US rose** sharply, increasing from \$3.60 billion in August to \$4.84 billion in October.
- Encouragingly, Indian exports rebounded in November, rising 22%, driven mainly by electronic goods that remained outside the tariff net.

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US Crude Gains as Trade Tensions Reshape Energy Flows

- The additional **25% US tariffs** became one of the most contentious issues in India-US trade ties, delaying the agreement.
- This disrupted negotiations, pushing total US tariffs on India to 50%, even as Washington eased duties on China after a truce.
- Amid these trade strains, India ramped up crude oil imports from the US. This shift was reinforced by US sanctions on Russian oil majors Lukoil and Rosneft, which reduced Russia's ability to export oil to India.
- Trade data show the US share in India's oil imports rose to 7.48% between April and October, up from 4.43% a year earlier.
- In contrast, Russia's share declined from 37.88% to 32.18%, highlighting a clear rebalancing in India's crude sourcing.

Energy and Nuclear Convergence in India-US Ties

- Indian public sector refiners have signed a one-year agreement to import American LPG, covering about 2.2 million tonnes per annum, close to **10% of India's total LPG imports**.
 - LPG is a key cooking fuel, with over 60% of India's requirement met through imports, traditionally sourced from Gulf countries.
- The US has steadily strengthened its energy footprint in India. It is now the **fifth-largest supplier of crude oil to India**, accounts for nearly 10% of crude imports, and is the **second-largest supplier of LNG**.

Nuclear Reforms and Foreign Investment

- Alongside deeper energy trade, India has opened its nuclear sector to foreign investment.

- This move aligns with the Trump administration's push for expanding nuclear power capacity, including existing plants and small modular reactors, signalling a broader strategic convergence in clean and secure energy.

Policy Reset to Cushion Trade Shock

- Uncertainty over the India-US trade deal led to capital outflows and a rethink of industrial policy.
- To protect MSMEs, the government rolled back several quality control orders (QCOs) that were hurting competitiveness and removed the 11% duty on cotton to support the textile sector hit by US tariffs.
- At the same time, India **fast-tracked trade negotiations** with major markets to reduce dependence on any single partner.
- Talks were concluded with New Zealand, a deal was signed with Oman, and negotiations are underway with the **European Union**, the GCC, and the Russia-led Eurasian Economic Union (EAEU).

Source: **IE**

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