

India may offer to narrow tariff gap with US

New Delhi could reduce the gap to under 4%; ready to give preferential access to 90% of US goods

REUTERS

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India has offered to slash its tariff gap with the US to less than 4 per cent from nearly 13 per cent now, in exchange for an exemption from US President Donald Trump's "current and potential" tariff hikes, two sources said, as both nations move fast to clinch a deal.

This would mean that the average tariff differential between India and the US, calculated across all products without weighting for trade volume, would be reduced by 9 percentage points, in one of the most sweeping changes to bring down trade barriers in the world's fifth largest economy.

The United States is India's largest trading partner, with bilateral trade totalling some \$129 billion in 2024. The trade balance is currently in favour of India, which runs a \$45.7 billion surplus with the US.

Trump announced on Thursday his administration's first "breakthrough deal" with Britain. It lowers average British tariffs on US goods but keeps in place the 10 per cent base tariff imposed by Washington on British goods, likely setting a template for Washington's approach with other trading partners.

Last month, Trump announced a 90-day pause on his long-planned reciprocal tariffs on global trading partners, including a 26 per cent tariff on India, while his administration negotiates trade deals. A 10 per cent base tariff continues to apply to India and many other nations.

After the UK, India and Japan are the next two nations in line to finalise a deal, a third Indian government official said. "We will see which one

crosses the line first." To achieve this, New Delhi has offered to reduce duties to zero on 60 per cent of the tariff lines in the first phase of the deal which is under negotiation, said the first two sources, both Indian government officials familiar with the matter.

India has offered preferential access to nearly 90 per cent of goods imported from the United States, including the reduced tariffs, one of the two officials said.

Details of India's offer to slash the tariff gap and what it has asked the US in return have not been previously reported. A delegation of Indian officials is likely to visit the US later this month to take the negotiations forward, a fourth official said, adding that India's trade minister, Piyush Goyal, might visit too but his plans

were not finalised.

All four government officials did not wish to be identified as details of the negotiations are private and sensitive.

India's trade ministry, which is leading talks, did not respond to a request for comment.

Alongside tariff exemptions, India has also asked for preferential market access for key export sectors including gems and jewellery, leather, apparel, textiles, plastics, chemicals, oilseeds, shrimp, and horticultural produce such as bananas and grapes.

"Preferential market access for India would mean better terms of trade for these goods compared to America's other trading partners," the first official said. India is also looking for concessions that would give it an edge over competitors in supplying "products of interest", the official added.

India wants exemption from all 'current, potential' tariff hikes