

India recalibrates strategy on US trade deal

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India is resetting its expectations after talks for an interim trade deal with the US hit a pause amid geopolitical complexities and American President Donald Trump's announcement of additional tariffs in response to New Delhi's imports of Russian oil.

In July, negotiators from India and the US had discussed the visit of the Ameri-

can team for the sixth round of bilateral trade negotiations during the week starting August 25. That visit has now been called off. However, New Delhi remains cautiously optimistic that a breakthrough on the first tranche of the trade deal could happen by the fall deadline of October-November, government officials said. At the same time, the government is bracing for the possibility that the agreement may not materialise.

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Policymakers have also recognised a new reality — returning to pre-Trump era tariffs of near-zero rates may not be possible even if a deal is finalised, the officials said.

“We are eager to catch up and have a deal with the US, at least the first tranche. But we cannot agree on giving market access to genetically modified crops and cannot reduce automobile tariffs beyond a point. We have drawn that line,” a senior government official told *Business Standard*.

“We are optimistic that it may be a matter of a few months (and a deal may materialise), but considering the unpredictability (of the geopolitical scenario with respect to Russia-Ukraine conflict), we need to be prepared for the worst,” the official added.

The two nations failed to finalise a mini trade deal before the August 1 deadline, despite five intense rounds of talks and Trump’s earlier remarks suggesting that an agreement was imminent. Two government officials said that since the conclusion of the previous round of negotiations in July, there has been no progress on trade talks. No virtual round has taken place either.

Since the August 1 deadline for a mini deal was missed, the US administration imposed a 25 per cent reciprocal tariff on Indian goods from August 7. It also announced an additional 25 per cent tariff on

Indian exports to the US, citing India’s crude oil purchases from Russia. The cumulative 50 per cent tariff hike is scheduled to take effect on August 27.

On August 7, Trump ruled out the possibility of fresh trade negotiations with India. A week later, one of the officials cited above said the visit of the US negotiating team to New Delhi had been postponed.

The MEA has condemned the decision to raise tariffs and reiterated that the actions are “unfair, unjustified, and unreasonable”. Meanwhile, Trump is holding three-way meetings with Russian President Vladimir Putin and Ukraine Prime Minister Volodymyr Zelenskyy to end the conflict between Russia and Ukraine.

For now, New Delhi’s broader idea is to remain patient and see how the geopolitical situation unfolds, another senior official said.

“Looking at the deals that the US is signing with other countries, and the surplus we run with the US, one thing is clear: We are not going back to pre-Trump times of near zero rates. Even with a deal, at least 10-15 per cent could be levied,” the first official said. As of now, the US has finalised deals with the UK, Indonesia, Vietnam, Japan, the Philippines, and the European Union. Despite this, the US has set a 10-20 per cent tariff on all these nations, in return for greater market access. Critics termed these ‘quick trade deals’ unbalanced and one-sided.