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Insights

U.S. and India Announce Framework for Interim Trade Agreement

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Key Takeaways

- On February 6, the U.S. and India agreed to a framework for an interim trade deal that substantially reduces bilateral tariffs. The U.S. has committed to lowering applied rates on Indian exports from 50% to 18%, while India has committed to cut or eliminate tariffs on most U.S. industrial and agricultural goods while keeping select sensitive farm sectors protected.
- The same day, the U.S. issued an executive order eliminating its 25% penalty tariff on India for its imports of Russian oil, contingent on India ending such purchases. India has agreed to buy USD 500 billion in U.S. energy, industrial, and technology products, among other goods over the next five years.
- The framework includes commitments on expanding technology trade and cooperation, including increased flows of Graphics Processing Units (GPUs) and other data center equipment, and calls for closer alignment on economic security, supply chain resilience, investment review, and export control coordination.
- India pledged to tackle long standing non-tariff barriers affecting U.S. medical devices, information and communications technology goods, and agricultural products. Both sides agreed to pursue clearer standards, conformity assessment procedures, and rules of origin, though timelines remain undefined.
- Digital trade remains largely unresolved, but the two sides have committed to reducing digital trade barriers and working toward comprehensive digital trade rules as part of a future bilateral trade agreement (BTA).
- The interim agreement is expected to be finalized by this March, after which negotiations will continue toward a more comprehensive BTA. Outstanding issues such as digital trade, non-tariff barriers, and sensitive market access questions still require substantial work.
- For businesses, this framework agreement highlights new potential market opportunities across manufacturing sectors. However, long term gains will depend on how quickly the remaining regulatory, standards, and digital trade issues are resolved as the two sides continue to negotiate a broader BTA.

Key elements of the framework agreement

On February 6, the U.S. and India released a [joint statement](#) outlining a “framework” for an interim bilateral trade agreement. A deal was first announced by President Trump last week. The joint statement was immediately followed by an [executive order](#) removing the 25% penalty imposed on India in August 2025 for its purchases of Russian oil. This relief is predicated, according to the president, on India’s commitment to stop buying Russian oil, but the Indian government has not publicly acknowledged such a pledge.

Under the framework, India has committed to “eliminate or reduce tariffs on all U.S. industrial goods and a wide range of U.S. food and agricultural products,” including dried distillers’ grains, red sorghum for animal feed, tree nuts, fresh and processed fruit, soybean oil, wine, spirits, and additional products.

At the same time, Indian officials have indicated that certain politically sensitive agricultural and dairy sectors — including maize, wheat, rice, soy, poultry, milk, cheese, ethanol, tobacco, select vegetables, and certain meat products — remain protected. Beyond market access, India has indicated it “intends to purchase USD 500 billion of U.S. energy products, aircrafts and aircraft parts, precious metals, technology products, and coking coal over the next five years.”

India, in turn, has managed to secure significant tariff relief across several sectors, with U.S. tariffs on key Indian exports reduced from 50% to 18%. These exports include textiles and apparel, leather and footwear, plastics and rubber, organic chemicals, home decor, artisanal goods, and certain machinery. This outcome leaves India in a slightly more favorable position as compared to regional competitors facing higher U.S. tariff rates, including Vietnam (20%), Malaysia (19%), Indonesia (19%), Bangladesh (20%), and Pakistan (19%). Subject to the successful conclusion of the interim agreement, the U.S. has indicated it will remove reciprocal tariffs on a wide range of goods, including generic pharmaceuticals, gems and diamonds, and aircraft parts. Consistent with U.S. national security requirements, India will also receive “a preferential tariff-rate quota for automotive parts.” The framework further notes that, “contingent on the findings of the U.S. Section 232 investigation of pharmaceuticals and pharmaceutical ingredients, India will receive negotiated outcomes with respect to generic pharmaceuticals and ingredients.” It appears that India’s electronics exports remain exempt from reciprocal tariffs for now pending a Section 232 investigation, but the joint statement is silent on this issue.

Both sides have also agreed to “significantly increase trade in technology products, including Graphics Processing Units (GPUs) and other goods used in data centers,” alongside expanded joint technology cooperation. On market access, India has committed to “eliminate restrictive import licensing procedures that delay market access for, or impose quantitative restrictions on, U.S. Information and Communication[s] Technology (ICT) goods,” and to address “long-standing barriers to the trade in U.S. medical devices.” The two countries further intend to discuss technical standards and conformity-assessment procedures in mutually agreed sectors to ease compliance for exporters. They have also pledged to address “discriminatory or burdensome practices and other barriers to digital trade” while working toward more robust digital trade rules under a more comprehensive future bilateral trade agreement.

Above all, the framework takes some steps toward restoring a semblance of normalcy in the bilateral trade relationship after a year of tense negotiations and punitive U.S. tariffs that reached 50% on most Indian exports despite the otherwise friendly relationship between the two countries. Many issues are yet to be fully negotiated, including digital trade and non-tariff barriers. However, despite these limitations, the deal secures unprecedented Indian market access commitments for U.S. exporters — including in several important agricultural segments — well beyond what the EU and India agreed to in their recently-announced [free trade agreement](#). The deal also includes commitments to substantially increase technology trade, including GPUs, and for India to ramp up its imports of U.S. energy products and other goods.

Despite the progress, there remains much to be done

The U.S. and India have pledged to promptly implement this framework and work toward finalizing the interim agreement, with a view to concluding a mutually beneficial BTA consistent with the roadmap outlined last April by both sides. Contacts in both capitals expect that the interim agreement will be finalized by March. However, lacking both an explicit deadline and a clear timeline, it remains uncertain how rapidly negotiators will address outstanding — and often politically sensitive — issues now that reciprocal tariff reductions and purchase commitments have been secured. Both governments intend to continue expanding market access opportunities through the BTA process. The U.S. has affirmed that it will consider India's request for additional tariff reductions on Indian goods during BTA negotiations, providing at least some incentive for India to sustain momentum. Key issues that will remain to be addressed under the interim agreement include nontariff barriers such as longstanding restrictions on U.S. medical devices, ICT products, and agricultural and food imports; licensing and approval bottlenecks; and divergences in technical standards and conformity assessment procedures.

India's purchases of Russian oil — which peaked at roughly 2 million barrels per day (bpd) in mid-2025 and declined substantially to above 1 million bpd by the end of 2025 — will also warrant close monitoring. India had purchased negligible quantities of Russian oil prior to the invasion of Ukraine, suggesting that it should, in principle, be able to phase out these imports and shift to alternative suppliers, potentially including Venezuelan oil if production rebounds and market conditions permit.

Business implications

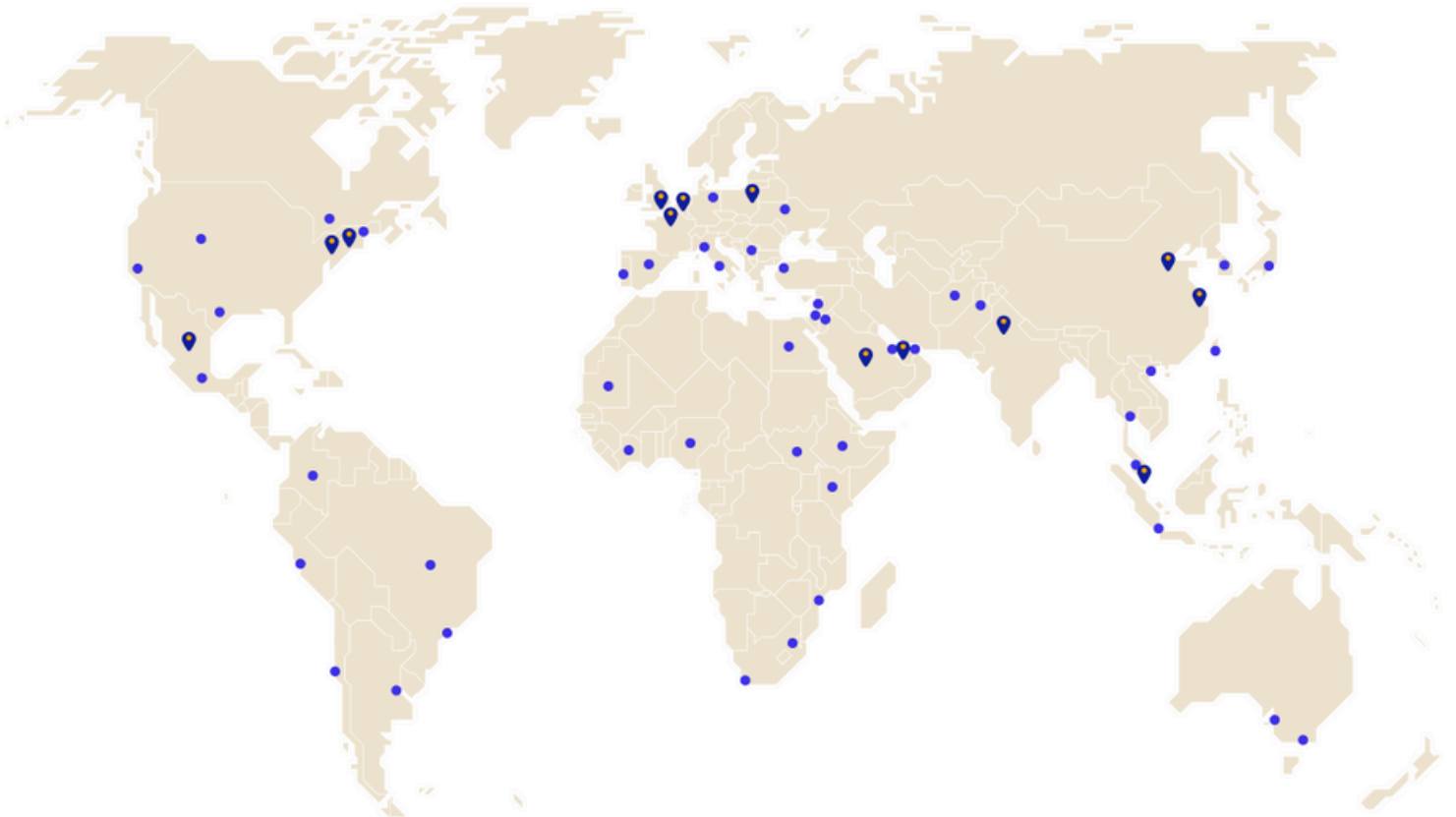
The U.S.-India framework for an interim trade agreement signals a materially improved operating environment for many companies by reducing punitive tariffs, expanding preferential market access, and committing both governments to addressing longstanding regulatory and standards-related frictions. Companies in sectors including energy, industrial goods, technology hardware, medical devices, and agriculture should see expanded export opportunities as tariff cuts take effect, and the governments make progress on non-tariff barriers. At the same time, the emphasis on economic security alignment, investment screening coordination, and supply chain resilience suggests that firms operating in sensitive technology or strategic materials segments may face a more structured and scrutinized regulatory landscape. While the agreement offers meaningful near-term commercial gains, businesses should continue to monitor its implementation and any progress on digital trade, non-tariff barriers, and sector specific concerns as the two sides move toward broader BTA negotiations.

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