



India Achieves Landmark Trade Victory, Unlocks \$30-Trillion U.S. Market for Exports Across Key Sectors

9th February, 2026

Key Takeaways

- India secured preferential access to a **USD 30 trillion U.S. market**
- **Textiles & apparel** gain **tariff cuts from 50% to 18%**, with **silk securing 0% duty access** in a **USD 113 billion U.S. market**
- **Machinery exports** see tariffs reduced to 18%, opening opportunities in a **USD 477 billion U.S. market**
- USD 1.36 billion of **Indian agricultural exports** receive zero additional U.S. duty access
- Key products including **spices, tea, coffee, fruits, nuts** and **processed foods** gain **zero-duty treatment**
- **Highly sensitive sectors** such as **dairy, meat, poultry** and **cereals** remain **fully protected**
- **What India gets?**
 - a. Highly competitive rate of 18% on \$ 900 bn worth of global imports of the U.S.
 - b. Zero duty on \$ 150 bn worth of global imports of the U.S.
 - c. No additional duty on \$ 720 bn worth of global imports of the U.S.
 - d. Exemption continues \$ 350 bn worth of global imports of the U.S.
 - e. Preferential treatment on 232 tariffs

Introduction

The **India-U.S. Bilateral Trade Agreement** marks a major milestone in **India's global trade engagement**, securing sustained **preferential access for Indian exports in the U.S. market valued at over \$30 trillion**. The agreement delivers comprehensive tariff rationalisation, **zero-duty access** across large product categories, enhanced digital and technology cooperation, and a carefully calibrated framework to safeguard India's farmers, MSMEs and domestic industry.

With **India's total exports** to the United States standing at **USD 86.35 billion in 2024**, the agreement significantly enhances competitive access across key sectors including textiles, leather, gems and jewellery, agriculture, machinery, home décor, pharmaceuticals, and technology-driven industries.

How the Tariff Changes Benefit Indian Exports

India's export base of USD 86.35 billion to the United States in 2024 now benefits from major tariff restructuring.

Major Relief on Reciprocal Tariffs

Reciprocal Tariffs (RT) were earlier as high as 50% on several Indian products. These have now been substantially reduced. Of the total exports, USD 40.96 billion were subject to Reciprocal Tariffs.

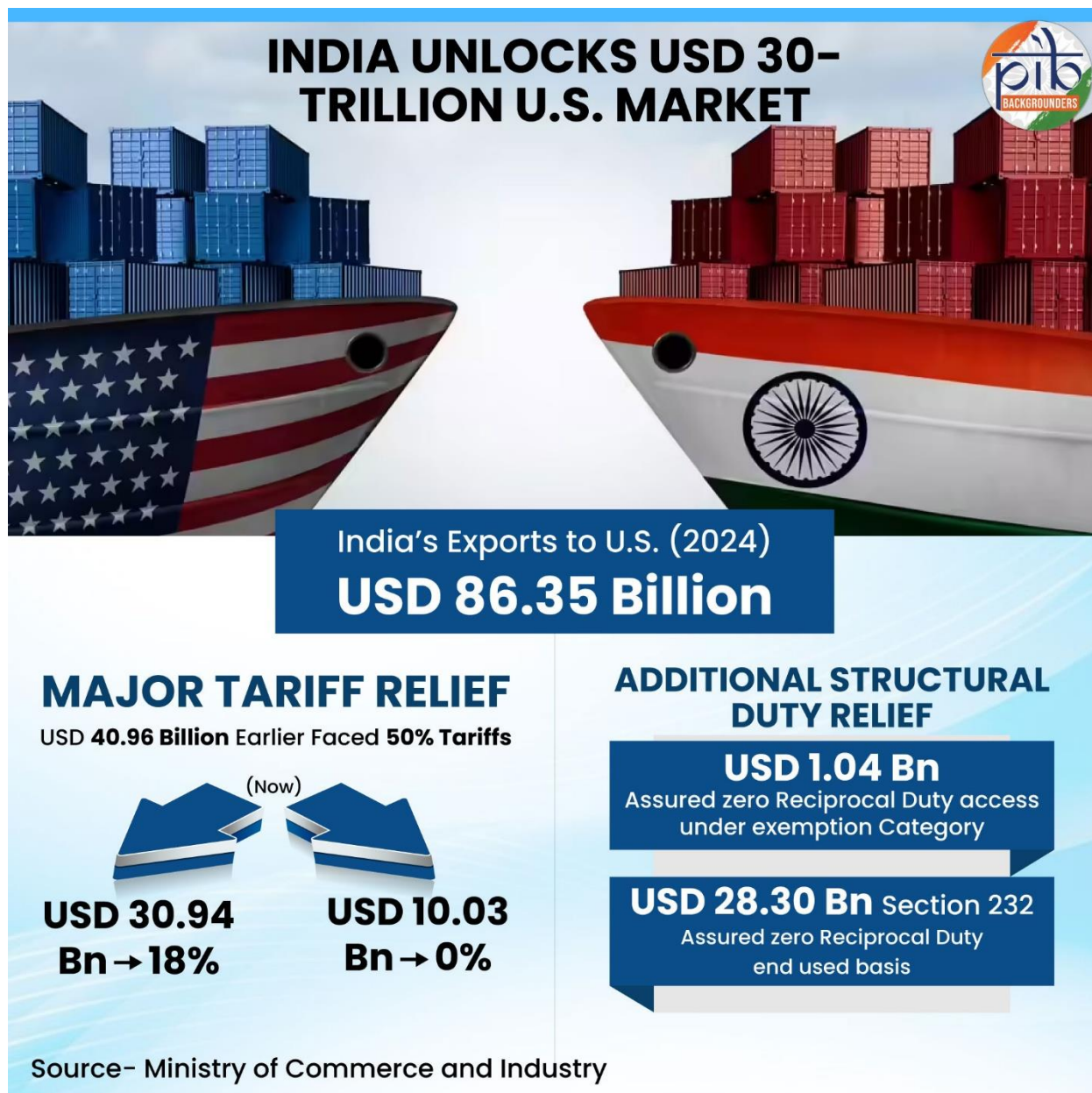
Under the agreement, tariffs on USD 30.94 billion of these exports have been reduced from **50% to 18%**, while tariffs on another USD 10.03 billion have been reduced from **50% to zero**. This means a substantial share of **Indian goods entering the U.S. market will now face either sharply lower tariffs or completely duty-free access**, significantly improving price competitiveness.

Exemption Category – No Additional Duty

Additional structural duty relief ensures zero reciprocal duty access for USD 1.04 billion **under the exemption category**. Within this, agricultural products valued at USD 1.035 billion have been assured **zero Reciprocal Tariff** by the United States. This provides stability and predictability for Indian agricultural exporters and ensures that key farm products continue to enjoy uninterrupted market access.

Section 232 (End-Use Basis) Commitments

Additional Structural Duty Relief assures zero reciprocal duty for USD 28.30 billion under Section 232 (end-use basis). For these products, additional duties that earlier could go up to 50% have been reduced to zero.



Structural Competitive Advantage Across Key Sectors

The agreement creates a clear tariff differential in favour of India. While duties on Indian products have been lowered, several competing suppliers continue to face elevated tariffs in the U.S. market, including **China** (35%), **Vietnam** (20%), **Bangladesh** (20%), **Malaysia** (19%), **Indonesia** (19%), **Philippines** (19%), **Cambodia** (19%) and **Thailand** (19%).

This tariff differential significantly enhances India's price competitiveness, strengthens its relative positioning in the U.S. market and expands export opportunities across **labour-intensive industries**, manufacturing segments and high-value product categories.

Sectoral Gains:

Textiles & Apparels

Tariffs on textile exports have been reduced from 50% to 18%, while silk receives 0% duty access, opening enhanced opportunities in the U.S. market valued at **USD 113 billion**.

Major export categories benefiting from the reduced tariff structure include readymade garments, carpets, man-made textiles, cotton textiles, artificial staple fibres, bedspreads, bleached fabrics, curtains, yarn, baby clothing, bed linen, blankets, gloves and related products.

The agreement is expected to provide a significant boost to the textile sector, leveraging economies of scale and strengthening small businesses and production clusters. **Enhanced market access is likely to support job creation** and reinforce India's position as a competitive and reliable supplier in global textile value chains.

Leather & Footwear

The agreement delivers significant gains for India's leather and footwear sector, positioning the country as most-preferred supplier to the U.S. market. **Tariffs on exports from India have been reduced from 50% to 18%**, providing improved access to a U.S. market valued at **USD 42 billion**.

Major export categories expected to benefit include finished leather, leather footwear and footwear components. The reduced tariff structure enhances India's ability to expand its presence across value-added segments of the leather industry.

Given the labour-intensive nature of the leather and footwear industry, enhanced market access is expected to support manufacturing growth and employment generation, particularly across MSMEs and production clusters.



Gems & Jewellery

Tariffs on gems and jewellery exports have been reduced from 50% to 18%, providing preferential access to a U.S. market valued at **USD 61 billion**.

In addition, **0% duty market access** has been secured for major product categories including diamonds, platinum and coins, covering a U.S. market of **USD 29 billion**. Key export categories expected to benefit include cut and polished diamonds, lab-grown synthetic diamonds, coloured gemstones, synthetic stones and articles of gold, silver, platinum and other precious metals.

Home Décor

Tariffs on home décor exports have been reduced from 50% to 18%, opening opportunities in a U.S. market valued at **USD 52 billion**. Products benefiting from the reduced tariff structure include wood and furniture items, pillows, cushions, quilts, comforters, non-electrical lamps and related furnishing products.

In addition, **0% duty access** has been secured for products covering a U.S. market worth **USD 13 billion**, including seats, chandeliers, illuminated signs and parts of lamps.



Toys

Tariffs on toy exports from India have been reduced from 50% to 18%, providing improved access to a U.S. market valued at **USD 18 billion**. With improved market access and a more favourable tariff regime, India is well placed to emerge as a reliable and trusted supplier in the U.S. toy market. The agreement opens new opportunities for domestic manufacturers, particularly MSMEs, to scale production, integrate into global supply chains and expand their presence in international markets.

Machinery and Parts (Excluding Aircraft Parts)

The agreement provides a significant boost to India's machinery and parts sector by improving access to one of the largest industrial markets in the world. **Tariffs on machinery exports have been reduced from 50% to 18%**, opening enhanced opportunities in the U.S. machinery market valued at **USD 477 billion**.

India's current exports in this segment stand at USD 2.35 billion, and the reduced tariff structure is expected to strengthen the competitiveness of Indian manufacturers across a wide range of machinery and component categories. The improved access supports India's broader manufacturing ambitions and reinforces efforts to expand value-added industrial exports.



Agriculture: Expanding Export Opportunities While Safeguarding Farmers

India maintains a trade surplus of USD 1.3 billion in agricultural trade with the United States, with **exports of USD 3.4 billion** and **imports of USD 2.1 billion** in 2024.

Zero Duty Access for Agricultural Exports:

The United States will apply **zero additional duty** on Indian exports worth **USD 1.36 billion**. Beneficiary products include spices; tea and coffee and their extracts; copra and coconut oil; vegetable wax; nuts such as areca nuts, Brazil nuts, cashew nuts and chestnuts; fruits and vegetables including avocados, bananas, guavas, mangoes, kiwis, papayas, pineapples, shiitake, and mushroom; cereals such as barley and canary seeds; bakery products; cocoa, and cocoa preparations; sesame and poppy seeds; and processed products such as fruit pulp, juices and jams.

Within this **agricultural products valued at USD 1.035 billion have been assured zero Reciprocal Tariff** to avoid uncertainty, providing stability and predictability to Indian farmers and exporters.

Calibrated Market Opening with Strong Safeguards:

In line with India's approach in previous trade agreements, agricultural market access has been structured based on product sensitivity. The offer is categorized into immediate duty elimination, phased elimination (up to 10 years), tariff reduction, margin of preference and tariff rate quota mechanisms.

Highly sensitive agricultural sectors remain fully protected under a carefully crafted Exemption category. These broadly include meat, poultry and dairy products; GM food products; soyameal; maize; cereals; millets such as jawar, bajra, ragi, kodo and amaranth; fruits including bananas, strawberries, cherries and citrus fruits; pulses such as green peas, kabuli chana and moong; oilseeds; certain animal feed products; groundnuts; honey; malt and its extracts; non-alcoholic beverages; flour and meals; starch; essential oils; ethanol for fuel; and tobacco.

For select sensitive agricultural products, the tariff reduction category has been applied to ensure that a measured level of duty protection continues. Examples include parts of **plants, olives, pyrethrum and oil cakes**. Alcoholic beverages have been offered under tariff reduction along with minimum import price-based formulations, consistent with India's approach in other FTAs.

Certain highly sensitive items have been liberalised under **Tariff Rate Quotas (TRQs)**, where limited quantities are allowed at reduced duties. Products under this category include in-shell almonds, walnuts, pistachios, lentils etc.

Phased elimination of tariffs over up to ten years has been adopted for certain intermediate products used by India's food processing industry and sourced from multiple countries. These include albumins; certain oils such as coconut oil, castor oil and cotton seed oil; hoofmeal; lard; stearin; modified starches; peptones and their derivatives; and plants and parts of plants etc. This extended timeline provides adequate adjustment space for domestic stakeholders.

Immediate duty elimination has been offered only for select non-sensitive products that are already liberalised under other FTAs.



AGRICULTURE:

Expanding Exports While Safeguarding Farmers

EXPORT BOOST

- Zero additional duty on Indian exports worth **USD 1.36 billion**

FARMER PROTECTION FRAMEWORK

- Full protection to highly sensitive sectors (Exemption Category)
- Calibrated tariff reduction for select sensitive products
- Phased elimination (up to 10 years) for specific intermediates
- Immediate duty elimination limited to non-sensitive products

Source- Ministry of Commerce and Industry



Zero-Duty Access for USD 38 Billion in Industrial Exports

The agreement secures **zero additional duty access for industrial exports valued at USD 38 billion.**

Under Section 232 provisions, zero additional duty will **apply to aircraft parts, machinery and machinery parts, generic drugs and pharmaceutical ingredients, and elementary auto parts.**

In addition, zero-duty access extends to major industrial product categories including gems and diamonds, platinum and coins, clocks and watches, essential oils, select home décor items such as chandeliers and illuminated signs, inorganic chemicals including iron and aluminium oxides and

inorganic compounds of precious metals, instruments and apparatus, minerals and natural resources, articles of paper, plastics and wood, and natural rubber.

Non-Agriculture Market Opening with Robust Safeguards

The agreement reflects extensive **stakeholder consultations with industry bodies, sectoral associations and concerned ministries** to identify product sensitivities and sector-specific requirements before finalizing the market access framework.

Market access for industrial goods has been structured strictly on the basis of product sensitivity, combining immediate tariff elimination, phased reduction (up to ten years) and quota-based access.

Sensitive sectors such as Automobiles have been liberalised through a combination of quota and duty reduction mechanisms. Medical devices have been addressed through long and staggered phasing schedules. Precious metals and other sensitive industrial products have been managed through quota-based tariff lowering. These calibrated safeguards ensure that liberalisation strengthens competitiveness without compromising manufacturing capacity or employment.

Strengthening Trade Facilitation and Quality Ecosystems

Beyond tariff reforms, the agreement advances **trade facilitation** and addresses non-tariff measures. The provisions offer balanced and improved market access with India's right to regulate, while addressing technical barriers to trade.

India and the United States will work towards strengthening quality standards, accreditation systems and ease of compliance in **priority sectors** including **high-technology products, medical devices and ICT goods**.

Recognition of conformity assessments will reduce double-testing requirements, saving time and costs for exporters. Alignment with **international standards** enhances export readiness and enables **Indian manufacturers to upgrade quality, especially in advanced machinery, medical devices and electronics. It also ensures deeper integration into global value chains**, including advanced markets such as the **European Union, the United Kingdom and Japan**.

ICT, Semiconductors and Digital India

The agreement also strengthens India's digital backbone by facilitating access to advanced **semiconductor chips, server components and critical technology** inputs required for the **expansion of Indian data centres** and the **Digital India initiative**. Reliable access to high-performance computing infrastructure ensures that India's digital ecosystem continues to scale in line with global demand.

Streamlined licensing procedures enhance transparency and predictability in the import licensing system, reducing administrative friction and improving supply chain efficiency. This enables technology firms to maintain leaner inventories and accelerate product development and deployment cycles.

Enhanced access to **next-generation technologies**, ensuring that Indian data centres remain globally competitive in processing power, latency and service delivery standards. At the same time, the **framework preserves essential national security safeguards**, ensuring that innovation and technological advancement proceed without compromising strategic interests.

Health and Medical Infrastructure

India and the U.S. demonstrate strong complementarity in the medical devices sector. Improved access to **high-end diagnostic and surgical equipment** will support the scaling of advanced healthcare infrastructure.

Streamlined entry of life-saving technologies enhances affordability and accessibility of specialised healthcare services, contributing to improved patient outcomes and strengthening India's medical ecosystem.

India-U.S. Digital Trade Partnership

Digital trade has emerged as one of the fastest-growing components of global commerce. According to WTO data, **global digitally delivered services exports rose from USD 4.35 trillion in 2023 to USD 4.78 trillion in 2024**, reflecting year-on-year growth of 9.8 percent.

India has consolidated its position as a leading digital exporter. In 2024, **India's digitally delivered services exports stood at USD 0.28 trillion, growing at 10.3 percent year-on-year**. India ranks 5th in exports of global digitally delivered services and 11th in the imports. While the United States holds the 1st rank in both exports and imports.

Complementary Strengths and Shared Opportunities:

India and the United States possess complementary strengths in **digital trade**. The **United States** is the world's largest importer of digitally delivered services, while **India is among the world's top exporters, with deep capabilities in IT services, business process management and digital solutions**.

A structured digital trade framework between the two countries reduces regulatory uncertainty, lowers compliance friction and facilitates smoother cross-border service delivery. This can accelerate growth in digitally delivered services and expand market access for Indian firms.

Enabling SMEs, Innovation and Strategic Technology Cooperation:

Harmonised digital trade rules would lower transaction costs and improve access to digital services for businesses and consumers, particularly small and medium enterprises. This opens significant opportunities for increased **SME participation in cross-border digital trade**.

Mutually agreed digital trade frameworks are expected to encourage greater U.S. investment in India's digital ecosystem. This would strengthen India's services exports and accelerate growth in digital startups, cloud computing, artificial intelligence, fintech and health-tech sectors.

MUTUAL DIGITAL TRADE FRAMEWORK: INDIA BENEFITS



Source- Ministry of Commerce and Industry

The partnership also enhances strategic technological cooperation between **two major digital economies, supporting innovation while maintaining appropriate regulatory and national security safeguards.**

Consumer Welfare: Enhancing Imports Without Disrupting Domestic Supply

Meanwhile, the **agreement also strengthens consumer welfare by enabling calibrated access to select consumer-oriented imports that bridge demand gaps** without placing stress on domestic farmers or producers.

Limited and structured access ensures that imports supplement, rather than replace, domestic production, contributing to price stability and greater product variety for consumers.

Key consumer-oriented product categories include tree nuts; fresh and processed fruits such as berries; niche and high-quality oils; processed food products including yeast, margarine and abalone; wine and premium beverages; select pet food products; and frozen food items such as salmon, cod and Alaska pollack.

Intermediate Goods that Strengthen Indian Manufacturing and Value Chains

The **agreement facilitates access to critical intermediate inputs that power India's export engine**. By enabling raw materials and specialised components to enter at competitive terms, the framework strengthens value-added manufacturing and reinforces India's position in global supply chains.

Key intermediate goods include rough diamonds and precious stones; specialty chemicals for pharmaceuticals and agro-processing; select active pharmaceutical ingredients; semiconductor wafers and fabrication inputs; electronics components such as IC substrates, sensors and microcontrollers; carbon fibres and specialty materials; industrial enzymes; industrial machinery parts and precision tools; aerospace components; battery materials including lithium compounds and cathode materials; and fertilizer inputs such as phosphate rock and potash where cost-effective.

High Technology and Advanced Technology Imports

The **agreement supports India's technological advancement** by facilitating access to high-technology and strategic goods that catalyze domestic capability building. The access to advanced technologies accelerates India's digital and industrial transformation while reinforcing **self-reliance objectives**.

Key high-technology categories include advanced medical devices such as diagnostic imaging equipment and surgical robotics; **AI chips and high-performance processors**; semiconductor manufacturing equipment; cloud computing infrastructure hardware; telecom and ICT network equipment; cybersecurity hardware; non-sensitive aerospace electronics; clean energy technologies including smart grids and meters; precision agriculture technology; biotechnology research equipment; quantum computing components; advanced laboratory and testing equipment; satellite and space technology components; and data centre infrastructure equipment.

A Forward-Looking Strategic Partnership

The **India-U.S. Bilateral Trade Agreement** represents a transformative step in **strengthening economic ties between two major global economies**.

By unlocking access to a **USD 30-trillion market**, rationalizing tariffs across a substantial share of exports, securing zero-duty benefits on large product volumes and reinforcing **digital and strategic technology cooperation**, the agreement significantly **enhances India's global trade positioning**.

At the same time, its calibrated, sensitivity-based approach safeguards farmers, MSMEs and domestic industry. The **framework balances growth with protection, competitiveness with resilience**, and expansion with national interest, positioning India for sustained export-led growth, deeper global integration and long-term economic strength.

PIB Research