

US-INDIA BTA

7 February 2026

A Pound of Crude: Trump's Venetian Bargain* Grants India Tariff Mercy, But Extracts a Strategic Toll

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The US-India trade deal grants India tariff relief and deeper market access but binds it to a \$500 billion import commitment and an oil ban, tilting leverage toward Washington. While India gains tactical export wins, the pact risks eroding its trade surplus and constraining strategic flexibility in energy and manufacturing.

(see statement [here](#)), February 7, 2026

What's In the Final US-India Trade Agreement?

The final US-India Bilateral Trade Agreement (February 7, 2026), establishes an Interim framework tied to a broader Bilateral Trade Agreement (BTA) initiated in 2025. It emphasizes reciprocal market access, with India committing to eliminate or reduce tariffs on US industrial goods, food, and agricultural products like Distillers Dried Grains with Solubles (DDGs[^]), red sorghum, tree nuts, fruits, soybean oil, wine, and spirits. In return, the US sets an 18% reciprocal tariff on select Indian goods (e.g., textiles, apparel, leather, plastics, chemicals, machinery), with plans to remove tariffs on items like generic pharmaceuticals, gems, diamonds, and aircraft parts upon successful Interim implementation. From the US standpoint, this structure aims to balance trade while addressing American concerns over market barriers.

Key Concessions and Alignment with US Interests

India's pledges align closely with US demands highlighted in prior announcements, including Trump's social post and White House statements. Notably, India agrees to cease direct or indirect imports of Russian crude oil, shifting to US energy products, resulting in removal of the 25% punitive duty effective February 7, 2026. This is conditioned on ongoing monitoring, with potential reimposition if violations occur.

Also, in line with Trump's social post, India commits to a \$500 billion purchase of US goods over five years, covering energy, aircraft, precious metals, technology (e.g., GPUs, data-center goods), and coking coal, far exceeding current \$45 billion annual imports. This is also a major departure from Trump's "Mission 500" target to expand US-India bilateral trade to \$500 billion.

The agreement also requires India to dismantle non-tariff barriers in medical devices, ICT goods, and food/agriculture within six months, adopting US or international standards, which could expose sensitive sectors to competition.

Benefits for India and Economic Implications

From India's perspective, the deal provides tariff relief, reducing effective US duties on Indian exports to 18% (below competitors' rates), which the Indian Trade Minister has stated will boost labor-intensive sectors and initiatives such as Make in India and Atmanirbhar Bharat. Removal of national-security tariffs on Indian aircraft and parts, plus a preferential quota for automotive parts, supports aviation and manufacturing growth. The 10-year defense cooperation framework enhances strategic ties, but it remains unclear whether it implies an expectation of diverting purchases from Russia and France, and whether US dependency will also entail technology transfer and supply chain resilience.

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However, the \$500 billion commitment risks inflating India's import bill, potentially eroding its \$42 billion trade surplus with the US and straining foreign reserves. Higher costs from switching to US/Venezuelan oil could impact refining profits and fuel exports.

Discrepancies and Risks Highlighted in Prior Analyses

Our earlier notes (February 3 and 5, 2026) pointed to narrative gaps between US claims (e.g., full oil cessation, zero tariffs on US goods, aggressive \$500 billion framing) and India's muted responses, which emphasized energy security and sector protections without explicit confirmations. The final agreement resolves some ambiguities by confirming the oil ban and purchases, but it stops short of absolute zero tariffs on all US imports, focusing instead on **eliminate or reduce tariffs** on all US **industrial goods and many food and agricultural products**.

While the Indian side had assured that agriculture will remain protected, the inclusion of agri and food items in the near zero-tariff list indicate US expectations for market access and could spark domestic backlash, as farmer groups have warned of price undercutting in maize, soybean, dairy, and nuts. The lack of details on services (e.g., H-1B visas) and digital trade rules leaves IT sector vulnerabilities unaddressed.

Balance Tilted Toward US Leverage

The agreement is touted as mutually beneficial on paper, fostering deeper economic and security alignment amid global tensions. For the US, it secures market entry, seeks to eliminate trade deficits with India, and curbs Russian influence via energy redirection. For India, it offers export relief but at a strategic cost, economic dependencies on US supplies, defense, competition for Indian manufacturing, including farm products and global energy sourcing freedom. While markets rallied initially on de-escalation, long-term sustainability depends on implementation; monitoring provisions give the US ongoing leverage, risking re-escalation if India resumes Russian oil imports. This deal reflects "America First" priorities, with India gaining tactical wins but conceding on geopolitical flexibility, necessitating careful domestic management to avoid political fallout.

Structural Pressures and Global Context

From a long-term perspective, the recently signed US and EU Bilateral Trade Agreements (BTAs) come at a precarious time: India's manufacturing GVA share has slipped to 13–14% from peaks of 18–19%, despite *Make in India's* 25% target (2014). Global integration lags, with just 2.9% of global manufacturing GVA and 1.8% of merchandise exports in 2024 (Economic Survey 2025-26). Structural constraints continue to weigh on competitiveness. India's backward GVC participation (BVAX ratio) peaked at 25.5% in 2012 but fell to 17.2% in 2020, far below competing countries like Vietnam at 48%. Vietnam's success reflects deeper tariff liberalization and export-oriented policies, yielding scale-driven gains in domestic value-added, jobs, and exports.

Both geographies, US and EU aim to flip their trade deficits with India into surpluses by capturing larger shares of domestic demand, compounding existing pressures from low-cost Chinese imports.

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The Road Ahead

To reverse underperformance, India must prioritize trade openness and reforms:

- Correct inverted duty structures.
- Streamline logistics and customs to cut input costs.
- Foster assembly-based manufacturing for scale and employment.
- Reduce protectionism, expand FTAs, boost R&D, and ease land/labor/skills constraints.

This integrated approach, disciplining firms through advanced manufacturing and embedding India deeper into GVCs, can elevate India's manufacturing share and global standing, mitigating the risks of Trump's bargain while unlocking long-term competitiveness.

Sectoral Views

Pharmaceuticals: Positive for pharmaceuticals, as India is expected to attract preferential/negotiated tariffs on generic pharma. Generic drugs are exempted in the near term until the Section 232 investigations conclude, but will receive preferential or negotiated tariff rates thereafter. Organic Chemicals to attract tariffs; however, there is a lack of clarity on whether generic APIs would attract tariffs, as they are also part of the organic chemicals category and generic pharmaceuticals (which are exempt). Innovator API exports may attract a tariff of 18% but we believe the tariff rates are still relatively attractive, hence there may be no negative impact on profits, and they will most likely be passed to the customer. Post conclusion of Section 232 investigations, tariffs on generic API and formulations can change, but exports from India will get a preferred status. Two countries will work to define the source or country of origin for the implementation of tariffs, and the agreement benefits remain mutually exclusive.

Consumer Staples: Positive for LT Foods, Bector Foods (both with material exposure to US exports); Positive for Raymond Lifestyle: US contributes 40–45% of garmenting revenue; garmenting is ~20% of overall business; LT Foods; Can impact dairy industry through imports of DDGs

Hugely positive for Textiles: Gokaldas Exports, Pearl Global, Welspun Living, Indo Count, KPR Mills

Oil & Gas: Praj Industries

Positive Chemicals: Aarti Industries, UPL, PI, Vinati Organics, SRF, Navin Fluorine

Industrials: Positive for Jash Engg; no impact on cement, railways, oil and gas

Capital Goods: Selective; TD Power, MTAR Technologies, Apar Industries, CG Power.

Auto anc: India's auto component exports to the US (~27%) gain from preferential tariff quotas, boosting cost competitiveness and visibility—benefiting Bharat Forge, Sona BLW, and Ramkrishna Forgings. For OEMs, impact is modest, though M&M's strong US tractor presence and duty-free premium motorcycle imports could drive selective gains.

IT&ES: FTA should ease access to advanced AI technology, specifically NVIDIA GPUs. Positive for E2E Networks and Netweb Technologies

No Major impact on Banks; On a broader level, the BTA can have positive spillovers from supply chain integration opportunities.

** PS: The caption is motivated by the Shakespearean Novel "The Merchant of Venice" in the which the phrase "a pound of flesh" refers to the bond between Antonio, a Venetian merchant, and Shylock, a Jewish moneylender. Antonio borrows money for his friend Bassanio, and Shylock demands a pound of Antonio's flesh as collateral. When Antonio defaults, Shylock insists on exact repayment, literally the flesh, symbolizing rigid adherence to the letter of the law regardless of human cost.*

*The courtroom climax (Act IV, Scene I) sees Portia, disguised as a lawyer, overturn Shylock's demand by pointing out that the bond specifies flesh but not blood, making it impossible to fulfill without breaking Venetian law. Over time, "a pound of flesh" has come to mean a **harsh, merciless demand for repayment or justice, regardless of consequences.***

^ **Distillers Dried Grains with Solubles (DDGS)** is a nutrient-dense, high-protein byproduct of alcohol fermentation, primarily from corn or other cereals. It consists of fermented, non-starch grain remnants (protein, fiber, oil) combined with concentrated syrupy solubles, dried to 10–12% moisture.

Key Components of DDGS:

- Protein (28–32%): A highly digestible source of protein for livestock.
- Fat/Oil (8–12%): Provides high energy, although fat content can vary based on extraction techniques.
- Fiber: High in fiber from the original grain, which provides energy but can limit digestibility in certain animals.
- Solubles: The concentrated syrup from the fermentation process, which adds nutrients back to the mix.
- Yeast Proteins: Derived from the fermentation process, offering a potential probiotic effect.
- Minerals: A good source of phosphorus.

Production Process & Characteristics:

1. Fermentation: Starch from grain is converted into ethanol.
2. Distillation: The ethanol is removed, leaving behind "whole stillage".
3. Separation: The material is separated into liquid ("thin stillage") and solid ("wet cake") components.
4. Concentration & Drying: The thin stillage is concentrated into syrup, then mixed with the wet cake and dried to produce DDGS.

DDGS is widely used as a high-value, cost-effective animal feed ingredient for cattle, poultry, and swine.

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