STUDY NOTES · BASIC CONCEPT

12 point framework : Know about India US trade deal in 12 points!

International Relations

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The White House released a joint statement outlining a 12-point framework for an interim trade agreement between India and the United States, marking a significant step towards a broader Bilateral Trade Agreement (BTA). This interim deal aims to address long-standing trade barriers and foster closer economic ties.

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What are the 12 key points of the India-US interim trade deal?

1.Tariff Cuts by India on US Goods : India has agreed to eliminate or reduce tariffs on all American industrial products and a wide array of agricultural and food items. These include products like sorghum for feed, dried distillers' grains, fresh and processed fruits, tree nuts, soybean oil, and alcoholic beverages.

2. Reciprocal Tariff Structure by the US : Under Executive Order 14257, the United States will apply an 18% reciprocal tariff on originating goods from India. This covers categories such as apparel, leather, footwear, plastics, rubber, organic chemicals, decor, artisanal items, and machinery. This represents a substantial reduction from previous tariffs, which in some cases were around 50%.

3. Potential Tariff Removals by the US : If the interim agreement is finalized, Washington intends to lift reciprocal tariffs on Indian exports such as gems, diamonds, aircraft parts, and generic pharmaceuticals, as listed in the annex to Executive Order 14346.

4. Rollback of US National-Security Tariffs : The US will withdraw duties on certain Indian aircraft and aircraft components that were previously imposed under national-security proclamations affecting aluminum, steel, and copper imports.

5. Preferential Access for India in Sensitive US Sectors : India is set to receive tariff-rate quotas for specific automotive parts subject to US national-security tariffs, with potential negotiated outcomes for pharmaceuticals pending a Section 232 investigation.

6. Market-Access Commitments on Both Sides : Both countries intend to offer each other sustained preferential access in sectors deemed strategically important.

7. Rules of Origin Safeguards : India and the US will establish rules of origin to ensure that the benefits of the agreement primarily accrue to their respective economies, thereby limiting third-country passthrough.

8. Removal of Non-Tariff Barriers : India has committed to addressing long-standing barriers affecting US medical devices, easing restrictive import licensing for Information and Communication Technology (ICT) goods, and reviewing the acceptance of US or global standards for key products within six months of the agreement's entry into force. Non-tariff barriers impacting US agricultural trade will also be addressed.

9. Alignment on Regulatory Standards : Both sides plan to initiate discussions on technical standards and conformity assessments to simplify compliance for exporters.

10. Flexibility Clause for Future Tariff Changes : Should either country alter its agreed-upon tariffs after implementation, the other country may adjust its commitments accordingly.

11. Cooperation on Economic Security and Technology : India and the US will strengthen their alignment on supply-chain resilience, investment screening, export controls, and actions countering non-market trade practices by third countries. They will also scale up trade and collaboration in emerging technologies, including GPUs and data-center hardware.

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12. Major Indian Purchases of US Goods : India intends to purchase $500 billion worth of American energy products, aircraft and aircraft parts, precious metals, technology products, and coking coal over the next five years.