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## Indian Exports To Increase Following PM Modi Securing Trade Deal With President Trump

*Prepared by Tal Shirar Directorate of Intelligence, 11 FEB 2026*

The February 2026 interim U.S.-India trade framework, reduces U.S. reciprocal tariffs on a substantial portion of Indian exports from as high as 50% to 18% (with zero reciprocal tariffs on select categories), is expected to deliver a meaningful near-term boost to India's exports to the U.S. This is primarily through restored price competitiveness in labor-intensive and manufacturing sectors amid 'China-plus-one' diversification. Data suggest an incremental gain of \$10-20 billion annually in the medium term, building on India's 2024-25 U.S. exports of approximately \$86 billion, as lower duties enable market share recovery and volume growth in textiles, leather, chemicals, and related goods. This relief reverses recent tariff-induced drags, supports job creation and positions India favorably relative to Asian peers facing 19-20% rates.

- Zero reciprocal tariffs apply to approximately \$44 billion of Indian exports (including generics pharmaceuticals, gems/diamonds, aircraft parts, and select agricultural/processed items like spices, tea, coffee, and fruits), providing full duty relief in these categories and enabling stronger penetration in high-value segments. This exemption, combined with broader 18% reductions on \$30-41 billion in previously affected exports, supports accelerated growth in these areas.
- Labor-intensive exports (textiles/apparel ~\$10-11 billion to U.S., leather/footwear, home decor) stand to see the most immediate volume increases due to halved effective duties, with potential for double-digit percentage growth translating to several billion dollars annually as competitiveness aligns with or exceeds regional peers. Exporters anticipate significant scaling in these MSME-heavy areas.
- High-value and exempted categories (pharmaceuticals generics, gems/diamonds, aircraft/auto parts) benefit from zero reciprocal tariffs on ~\$44 billion, enabling margin expansion and market share gains without duty erosion; this could contribute \$5-10 billion in incremental exports over 2-3 years through supply chain integration.



## India-US trade and tariffs

Overall the U.S. trade-weighted average tariff has been about 2.2%, compared with India's 12%.

	India exports to US (\$ bln)	Weighted average tariff of US	US exports to India (\$ bln)	Weighted average tariff of India
Agriculture, meat and processed food	6.04	5.29	1.94	37.66
Automobiles	2.8	1.05	0.42	24.14
Diamonds, gold and products	11.88	2.12	1.92	15.45
Chemicals, pharmaceuticals	18.44	1.06	3.52	9.68
Electrical, telecom, electronic products	14.4	0.41	1.34	7.64
Medical, leather, paper, glass, ship, aircraft	8.24	2.79	3.35	9.7
Plastics	1.36	4.38	1.41	9.95
Machinery, computers	7.1	1.3	2.85	6.6
Iron, steel, metal products	5.4	2.06	2.45	4.54
Textile, clothing	10.8	8.99	0.4	10.37
Ores, mineral and petroleum	3.34	2.31	11.12	2.31
other categories			3.63	1.42

Note: Data for 2024

By Aftab Ahmed • Source: GTRI DATA

## PM Modi Will Have To Manage Domestic Challenges to the Trade Deal

This trade deal represents a strategic realignment that could bolster India's export sectors long term but risks short-term economic strain. Commitments to halt Russian oil imports and purchase over \$500 billion in U.S. goods may elevate energy costs, widen the trade deficit, and inflame domestic inflation. India's economy will ultimately benefit in the long term through diversified supply chains and stronger U.S. ties if managed adeptly, though immediate hurdles could hurt growth if farmer concerns and cost pressures escalate. PM Modi will have to deal with political backlash, especially from the agricultural community, which previously resisted the 2021 farm law.

- India has agreed to cease Russian oil imports, shifting to U.S. and potentially Venezuelan sources, as part of broader commitments to buy \$500 billion in American energy, technology, agriculture, and coal over time. This diversification aligns with U.S. strategic goals but could raise India's oil import bills by 10-15% due to higher prices compared to discounted Russian crude.
- Revisions to the U.S. fact sheet removed references to tariff cuts on pulses and softened language on India's purchase commitments from "committed" to "intends," amid backlash from Indian farmer groups fearing agricultural market flooding. Despite assurances from Commerce Minister Piyush Goyal that farmers' interests are protected, protests highlight risks to rural economies. The deal is set for formal signing in March, pending final negotiations.
- Indian farmers' organizations have launched protests against the deal, criticizing it for potentially opening the \$580 billion agricultural sector to U.S. exports like genetically modified animal feeds and sorghum, which could undercut local prices despite exclusions for staples. This backlash echoes 2020-2021 farm law agitations, risking political instability in rural heartlands.

## Conclusion

The Modi-Trump interim trade deal provides substantial tariff relief that positions Indian exports for renewed growth to the U.S., with expected incremental increases in the \$10-20 billion range annually based on restored competitiveness and sectoral exemptions, outweighing implementation uncertainties. This framework strengthens bilateral economic ties, supports domestic manufacturing and employment, and aligns with India's export ambitions, though precise gains will depend on execution and broader global factors.



Tal Shiar was founded by Nadeem Iqbal, a national security expert who served over 16 years as an intelligence officer for the Department of Defense from 2006-2022. His career began as a counter-insurgency analyst on the Afghanistan-Pakistan Task Force (2006–2013), followed by 9 years as a military analyst in the Syria Branch (2013–2022). He deployed five times in support of combat operations (3× Afghanistan, 2× Iraq), including two rotations with

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