

## **India-US BTA: Deadline Looms, Path to Agreement Complex**

### **Current Status of India-US BTA Negotiations**

Based on comprehensive intelligence gathered through our SBA team's weekly engagements with both US-India BTA negotiators in New Delhi, including Mr. Rajesh Agarwal and officers of the Trade Defence Wing, Ministry of Commerce, we provide the following critical update on the bilateral trade agreement negotiations.

Negotiations for an interim India-US Bilateral Trade Agreement are nearing conclusion, with an announcement anticipated before July 8 to avert higher reciprocal tariffs. No formal disclosures are made either of the governments. Discussion on market access for agriculture and steel products remain major concerns for either government.

### **Negotiation Dynamics and Timeline Constraints**

The negotiations have reached a critical juncture with the July 9, 2025 deadline for potential implementation of US reciprocal tariffs (26% additional) rapidly approaching. Our direct consultations with negotiating officials reveal that while both nations maintain their commitment to achieving a "very big" deal with a \$500 billion trade target by 2030, the completion of a comprehensive agreement by the July 9 deadline appears increasingly unlikely.

The primary impediments to timely conclusion stem from persistent disagreements across three key sectors: automotive components, steel, and agriculture. These bottlenecks reflect complex interdependencies that cannot be resolved through expedited negotiations alone.

### **Key US Proposals Under Negotiation**

The United States has formally presented the following tariff reduction proposals as part of the BTA framework, which constitute significant components of the ongoing discussions:

- **Energy Sector Liberalization:** Complete elimination of tariffs on US ethane and liquefied natural gas (LNG) imports to zero percent, aimed at enhancing India's energy security while providing preferential access to US energy exports.
- **Automotive Luxury Segment:** Reduction of tariffs on high-end motorcycles to zero percent, specifically targeting premium US motorcycle manufacturers and addressing a longstanding trade irritant.

- **Agricultural Market Access:** Comprehensive elimination of tariffs on US agricultural products, with particular emphasis on soybean imports, reflecting US agricultural exporters' priority market access demands. The U.S. is pushing for market access for apples, tree nuts, genetically modified crops, dairy, and electric vehicles,

These US proposals demonstrate a negotiating strategy targeting sectors where American exporters seek enhanced competitive positioning in the Indian market. However, these requests present significant revenue implications for India's customs collections and require careful consideration of domestic industry protection measures. These negotiations have not been able to strike the balance necessary for an agreement.

### **Official Guidance and Business Implications**

Trade negotiators have consistently advised our SBA team that businesses must exercise greater patience given the multifaceted nature of these negotiations, particularly as the aforementioned US proposals require extensive inter-ministerial consultation within the Indian government. However, this patience must be coupled with proactive supply chain optimization to mitigate potential duty impacts.

### **Recommended Strategic Initiatives**

While extension of the July 9 deadline remains possible, it cannot be guaranteed, particularly given the complexity introduced by the substantial US tariff reduction requests. SBA team believes that the additional reciprocal tariffs may be extended for a short period, or a mini BTA may be entered to stall these tariffs.

This uncertainty necessitates immediate contingency planning rather than reliance on potential deadline extensions.

Based on official guidance, businesses should immediately implement the following measures:

- **Corporate Structure Optimization:** Establishing US subsidiaries to minimize tariff exposure through strategic operational realignment.
- **Transfer Pricing Mechanisms:** Developing sophisticated transfer pricing models to achieve optimal duty incidence across the supply chain.
- **Cost of Production Documentation:** Implementing comprehensive cost models for accurate declaration of steel (or aluminum) content and other critical components subject to potential duties in the form 7501 (Entry Summary).

## **Conclusion**

The current trajectory of negotiations, combined with the substantial nature of US tariff reduction proposals and official guidance received through our ongoing consultations, indicates that businesses cannot rely on timely agreement completion. The complexity introduced by the US proposals for zero tariffs on ethane, LNG, high-end motorcycles, and agricultural products, alongside broader market access demands for apples, tree nuts, genetically modified crops, dairy, and electric vehicles, requires extensive governmental review that may extend beyond the July 9 deadline. Proactive adaptation measures outlined above represent essential risk mitigation strategies that should be implemented immediately.