



HOW INDIA CAN SALVAGE ITS TRADE DEAL

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India's recent trade plight should be instructive both for New Delhi about how to deal with the United States under Trump 2.0 and other actors (most notably [the European Union](#)) about how to deal with India in trade negotiations. To the first point, India should divert President Trump's attention by making big, even implausible, pledges about energy and weapons purchase from and large-scale investment in the United States—a cynical but necessary game the Europeans and the Japanese also played to avert a trade melt down. To the second point, EU negotiators should secure a trade deal with India as soon as possible by requesting similar concessions New Delhi would have been willing to give Washington—without trampling on any red lines, now that India's cards have been revealed by the Americans' reckless negotiation tactic.

America seeks instant gratification; India overestimates its leverage

How India-US trade talks unfolded throughout the summer and collapsed in June has now been widely reported in the press and commented on in the think tank world. For now, it suffices to note that while the [concessions](#) India put on the table would a few years ago have been considered a major breakthrough, under Trump 2.0's [trade doctrine](#) the American side simply kept pushing for a full deal, including tariff-free access to India's agricultural and dairy markets. For a lower-middle income country of over 125

million small and marginal holdings, this was a hard red line.

The whole episode underlines the second Trump administration's preference for [clear, one-sided American victories](#) and short-term, quantifiable results (usually expressed in terms of market access or trade balance) over mutually beneficial compromises and [longer-term strategic considerations](#). From this viewpoint crushing bilateral wins or grand mediatory attempts in Ukraine offer instant gratification. In contrast, the Indo-Pacific framework or the India-US strategic partnership requires sustained commitment while offering longer-term, less immediately visible benefits. [Shortsighted](#) or “[just different](#),” this approach is now the new normal in Washington, and traditional allies and partners like India need to carefully assess how their own strategic objectives can be aligned with this changed reality.

Unfortunately, it is precisely this careful assessment that is hindered by New Delhi's [long-standing tendency](#) of misjudging both partners' priorities and its own leverage. Going by [overconfident signalling](#) as late as July, India may in fact be the only major country that was genuinely surprised by having been crossed by Trump. Decision-makers in New Delhi were convinced that two decades of strategic relationship building, years of bonhomie between Trump and Modi, and India's growth prospects and potential role as China's only peer rival in Asia together would guarantee an eventual positive outcome in India-US trade talks.

With this, India palpably overestimated the “[headspace](#)” it occupies in Washington and grossly overplayed its hand. “TACO” [might be a thing](#), but [only against powerful opponents](#) like China or the stock markets. India may one day become too big to miss out on. For now, being only the United States' 10th largest trade partner at [around \\$212 billion](#) in 2024 and accounting for less than 2% of US exports, it is not even close to having that leverage.

No good-faith way out

In the end, even if India-US strategic partnership [endures](#), it has suffered [major damage](#). The United

States may have alienated a crucial strategic partner against China's influence in the Indo-Pacific, while India may have damaged its prospect for sustained 7%-plus growth rates and becoming China's peer competitor in any reasonable timeline.

If mutual good faith were still at play, this dual exercise in self-harm could end relatively easily. Wise leadership in Washington would not force India's hand to get a deal. Wise leadership in New Delhi would deliver without its hand forced. Sadly, any useful policy recommendation must start with recognizing that [Trump is Trump, and India is India](#).

This means that India's once-in-decades concessions are unlikely to prompt immediate tariff removals from Washington, while parliamentary dynamics severely constrain Prime Minister Modi's flexibility on international trade and agricultural reforms. Neither will India abandon its decades-long defence partnership (and likely its lucrative energy trade) with Russia, especially in the light of recent questions around US reliability. Undoing the current trade spat's harm will be anything but straightforward.

On the American side, those in Washington who still keep an eye on longer-term strategic objectives must scramble to save the deal—but do so under Trump's radar, without provoking him to dig his heels in. Trade talks should be kept going on but not overpublicised, and India's past and new concessions should be spun the most sellable way. For now, this is probably all pragmatic actors in Washington can do to salvage a key strategic partnership.

With all its own constraints, India arguably has more leeway to save the trade negotiation. Being the weaker party in dire need of trade access, investment, and technology transfers, this would be in India's eminent interest. But to do that, Indian negotiators need to do what the British, the Europeans, and to an extent the Japanese did: having President Trump's (putting it charitably) *tactical* attention span and love for large headline numbers working for them.

To be sure, India should carefully consider what *actual*, substantive concessions it can give, and go as far as it possibly can. This could include not only agricultural tariffs but also non-tariff barriers (such as

[quality control orders or QCOs](#)); the purchasing of some American [liquified natural gas](#) (ostensibly at the expense of Russian energy); and even some additional defence procurements (possibly even a handful [F-35s](#) as sweetener, even if this has recently been [ruled out](#)). While overall capital-poor, India also has a few champions that could semi-plausibly float massive investments into the manufacturing sector of America's dying industrial heartland. For the time being, to avoid further stirring politicisation, such concessions should be communicated through [quiet backchannels](#).

Another lubricant India would be wise to use is [more accommodating communication](#). This may be particularly difficult to sell to India's proud public and parliamentary opposition, but some creative wording could go great length. For instance, claims about Trump's mediatory role vis-à-vis Pakistan should not be *explicitly* refuted; instead, India could thank the President for—say—helping conveying India's exact message to Pakistan.

Such realistic concessions, however, are unlikely to sway Trump. Therefore, in a cynical but necessary move, India should start putting numbers on its promises for imports and investment far beyond what it intends to deliver. As the [EU's "delusional" energy promise](#) or [Japan's investment pledge](#) show, such never-meant-to-deliver-on promises are now just an essential lubricants for trade talks' machinery on the way to a joint communiqué. Anything less than borderline ridiculous is unlikely to convince President Trump that he is making a good deal.

In the past, making bad-faith, exaggerated pledges just to get trade talks to the phase of a joint statement and leaving the sorting out of details for another time would have been considered a foolish strategy. Lamentably, today it seems to be the only way to mitigate, or at least delay, massive effective tariff hikes from Washington. And even if delaying is the best one can achieve, winning that extra time would still significantly benefit India's economy.

Good-faith, mutually beneficial agreements with the United States are not on offer. But it is incumbent on Indian leaders to prioritize [real national interest over](#)

[pride and optics](#), secure as good a deal with Washington as they can, and (instead of [delusional alternatives](#)) pursue [realistic additional deals](#) with other, more constructive actors.

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