

Details on U.S.-India Trade Emerge: Some Tariffs Fall and More Negotiations to Come

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The Russian oil tariff on India was eliminated on Saturday morning, but we're still waiting for the reciprocal rate to be officially lowered.

The White House published the [U.S. – India Joint Statement](#) summarizing a “framework for an Interim Agreement” on Friday evening in the United States (very early Saturday morning in India). This may have further irritated Indian officials who had expressed frustration that President Trump released Indian policy before the Indian government, but it also strategically reduced public attention to the story.

The Office of the U.S. Trade Representative (USTR) also tweeted a map alongside the announcement that showed territory contested with Pakistan and China as part of India. This attracted positive attention from the Indian media, even though it was ultimately deleted by USTR. It was likely a mistake...but may have also made the deal more palatable in India.

Separately, the president issued an [executive order removing the 25% tariff on India related to purchases of Russian oil](#), effective at 12:01am on February 7. In the executive order, Trump rationalized the decision by stating that “India has committed to stop directly or indirectly importing Russian Federation oil, has represented that it will purchase United States energy products from the United States, and has recently committed to a framework with the United States to expand defense cooperation over the next 10 years.”

As President Trump previously announced, the United States will reduce India's reciprocal tariff rate to 18% from 25%, but the effective date was not specified. We must still wait for the formal executive order. Although President Trump's social media posted had declared that it was “effective immediately,” the Russian oil tariff was not retroactive to that date. Given that, it is now less likely that the removal of the reciprocal tariff will be retroactive.

Most commitments were vague but show the U.S. intention to sequence actions to incentivize implementation and push for additional concessions from India.

Both sides agreed to continue Bilateral Trade Agreement (BTA) negotiations and the United States indicated that it may consider future tariff reductions beyond those outlined.

India will **reduce or eliminate tariffs on all U.S. industrial goods and specific agricultural products**, including dried distillers' grains, red sorghum, tree nuts, fruit, soybean oil, wine and spirits. More will be added in the future, but the most sensitive commodities (like dairy) were not mentioned.

Regarding Section 232, **the United States will remove some of the tariffs on steel, aluminum and copper that apply specifically to aircraft and parts.** Two other commitments are still vague. At some point, the U.S. government will set a quota for an unspecified number of Indian automotive parts to receive an unspecified lower tariff rate. Later, when the findings of the Section 232 investigation into pharmaceuticals and ingredients are finally released, India will receive “negotiated outcomes.”

When this agreement reaches its “successful conclusion,” the United States will remove the reciprocal tariff on a range of goods that are listed on the Annex III list, which was published several months ago with potential additional tariff reductions, including generic pharmaceuticals, gems, diamonds and aircraft parts. **This appears to be a method of sequencing implementation:** the U.S. will first reduce the overall rate, then India will need to move forward to implement commitments and then the United States will proceed to remove the reciprocal rate from certain items. It is unclear whether the entire Annex III will be included and what precisely India will need to do.

There are time-sensitive opportunities for advocacy to both governments, especially regarding standards.

India agreed to address non-tariff barriers, including those related to medical devices, restrictive licensing or quotas for U.S. technology, food, agriculture and standards. The standards issue is notable because it includes a timeline: within six months, the Government of India should determine, “with a view towards a positive outcome” which U.S. or international standards are acceptable for U.S. imports. **This presents an immediate opportunity for business advocacy,** though it is unclear when the six-month clock begins.

The United States has committed to reducing non-tariff barriers as well, though none were listed.

The purchasing commitment of \$500 billion by India has been affirmed with the addition of a five-year timeline, which should be reasonable given historical U.S. exports to India.

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