

U.S.-India Insight

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The U.S.-India Trade Deal: From Dam to Spark



The expected conclusion of two U.S. investigations into India's trade practices, alongside the July 24 expiration of the Trump administration's 10 percent global tariff, could open the door to completing the first tranche of the long-pending bilateral trade agreement (BTA). The prolonged trade impasse has hamstrung much of the broader bilateral agenda. Rather than simply resume where both sides left off, this interlude offers a chance to recalibrate the key actors and priorities driving the relationship—and strengthen the prospects for advancing shared commercial and security goals.

Over the last twenty-five years, bilateral ties more often suffer from “over-engagement.” U.S. embassy staff would privately complain about the workload from managing a deluge of senior visitors. Indian departments would have too many U.S.-focused workstreams covered by too few staff members. Other countries would privately voice concerns that the U.S.-India dialogues were “flooding the channels” with Indian agencies, stymying their own attempts to build stronger partnerships.

Over the past thirty years, the United States and India have tried multiple different government-to-government formats to support the relationship. Nearly every significant U.S. agency had at least one recurring forum to engage their Indian counterparts. Among the most significant:

- **U.S.-India Strategic Dialogue:** Created in 2009, the Strategic Dialogue was the nodal platform for the two governments to discuss critical areas of cooperation.
- **U.S.-India Strategic and Commercial Dialogue:** Created in 2015 as the successor to the U.S.-India Strategic Dialogue. This forum paired the U.S. secretaries of state and commerce with India's ministers of external affairs and commerce and industry.
- **U.S.-India 2+2:** Created in 2018, the 2+2 brought together the U.S. secretaries of state and defense with India's ministers of external affairs and defence.
- **U.S.-India Initiative on Critical and Emerging Technology (iCET):** Created in May 2022, iCET was led by the countries' respective national security advisors. It was purpose-built to accelerate government, commercial, and academic collaborations in a range of significant technology areas.

After President Trump's return to office in January 2025, the two governments re-branded the U.S.-India Initiative on Critical & Emerging Technologies (iCET) to the "Transforming the Relationship Utilizing Strategic Technology" initiative. Defense cooperation continues under the Defense Policy Group (DPG). However, other forums that existed in areas like homeland security, energy, health, and agriculture are in "limbo."

This "pause" and potential reset affords a rare opportunity to improve on what existed before. Some potential improvements:

- **TRUST needs Leadership:** Fast changes to U.S. technology export policies and the fact that India often falls outside the "trusted partner" realm reinforces the need for senior U.S. leadership and deep, recurring dialogue. We must collaborate more fully to ensure our shared interests in avoiding China's domination of deep technology groups. Such senior-level active leadership has been lacking over the last year, resulting in damaging surprises to the Indian side.
- **Engage State Governments on Both Sides in Appropriate Dialogues:** Subnational governments are the action officers that will underpin progress in most other workstreams. The governments must find pathways to ensure state governments from both nations are at the table and play their part to expand commercial collaborations. This is true for any dialogues with a focus on commercial integration or energy cooperation, at the very least.
- **Ministry of Finance:** Our commercial dialogues with India tend to land with the Ministry of Commerce and Industry. In truth, the Ministry of Finance plays a crucial policy role on issues like tariffs and foreign investment restrictions. The erstwhile [U.S.-India Economic and Financial Partnership](#) (U.S. Treasury; Indian Ministry of Finance) was useful but mostly avoided broader reform discussions.
- **Academic Partnerships and Startup Collaboration for Joint Intellectual Property Creation:** In defense and some commercial technology areas, the governments are trying to jump-start co-development and co-production. Forcing collaborations focused on mature intellectual property (IP) is notoriously difficult. The governments should double down on existing programs that build research and start-up collaborations. Co-creating IP is much more straightforward.
- **Parliamentary Channels:** There is a steady stream of U.S. Congressional and staff delegations to India, and somewhat frequent visits by Indian Parliamentarians to the United States. With India creating new Parliamentary Friendship Groups, the relatively new "[Congressional Study Group on India](#)," and key legislative agenda items in both countries that can impact relations, interactions between Congress and Parliament provide rising leaders to engage their counterparts.
- **South Asia Political Dialogue:** Differing approaches to how our countries engage other nations in India's neighborhood present the biggest challenge to the relationship. While we may not have shared views on how to engage Bangladesh, Bhutan, Maldives, Myanmar,

Nepal, and Sri Lanka, our governments must be more forthcoming in sharing our respective strategies and, hopefully, find meaningful ways to collaborate that meet our shared objective of a safe, free, and prosperous subcontinent.

After a long period filled mostly with headwinds in the bilateral relationship, there is a reasonable chance for our governments to restore a positive vision and actions. The bilateral trade agreement should be the spark. We should not hope merely for a restoration of the linkages we had in the past, but to improve upon them to accelerate the pace of partnership.

KEY DATA

+5%

U.S.-INDIA GOODS TRADE, 12-
MONTH

+27%

FOREIGN DIRECT
INVESTMENT, 12-MONTH

(-) \$27 bn

FII ASSETS NET FLOWS, 12-
MONTH