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EDITORIAL ANALYSIS

India-US Trade Negotiations — Protecting Agriculture While Opening Markets

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GS2

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MAINS RELEVANCE:

GS Paper 2

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INTERVIEW ANGLE

"How does India balance market opening in trade negotiations with the US while protecting its politically sensitive agricultural sector? Is the interim trade framework a sustainable long-term arrangement?"

WHY IN NEWS

An India-US interim trade understanding reduced US reciprocal tariffs on Indian goods to 18% (from ~50%) while India secured a ring-fence around its agricultural sector — maintaining zero access for GM crops, dairy, poultry, and staple grains — raising fundamental questions about the long-term architecture of India-US trade relations.

THE TERMS OF THE INTERIM UNDERSTANDING

The agreement — carefully described as an “interim understanding” rather than a treaty or FTA — contains a clearly asymmetric structure. The US reduced its **reciprocal tariffs on Indian goods from approximately 50% to 18%** — a significant concession for Indian exports to the American market. In return, India opened **zero-duty access** to a set of agricultural commodities: **spices, tea, coffee, cashew nuts, and coconuts** — products India already exports in large quantities and where domestic supply is adequate.

What is notable is what India kept out: **meat, poultry, dairy, wheat, rice, pulses, and fruits** — the politically sensitive commodities that directly affect farm incomes for hundreds of millions of Indian smallholders. India also maintained its **blanket ban on GM crops** — no GM corn, no GM soy — despite this being a major US ask.

The concession on **DDGS (Distillers Dried Grains with Solubles)** and **sorghum** as non-GM animal feed alternatives is a clever compromise: it gives US exporters access to India’s growing compound feed market (60 million tonnes annually) while keeping the GM crop ban intact. India’s maize production (~43

million tonnes in 2025-26) creates some domestic substitution, but the feed demand-supply gap provides room for non-GM US imports without displacing Indian farmers directly.

WHY INDIA'S AGRICULTURAL RING-FENCE IS BOTH NECESSARY AND SUSTAINABLE

The **political economy of Indian agriculture** makes compromising on farm commodities essentially impossible. Indian farmers constitute the single largest electoral constituency. The 2020-21 farm laws agitation — which forced the government to repeal three legislations — demonstrated the political cost of any policy perceived as undermining farmer interests.

Beyond politics, the **structural argument** is sound. India's agricultural sector supports approximately **150 million farm households** — the majority subsistence or near-subsistence producers. These farmers cannot compete with American agribusiness, which operates at scales, efficiencies, and subsidy levels that are categorically different. A US dairy farmer receiving government support, operating automated milking parlours, and selling into a commodity market priced in dollars cannot be the reference price for India's 75 million dairy farmers.

The **GM crop question** is more complex. India grows **Bt cotton** — a GM crop — with regulatory approval. The resistance to GM food crops (particularly corn and soybean) is not entirely scientific; it reflects consumer preferences, ecological concerns about gene flow to wild relatives, and the negotiating position of groups protecting indigenous crop biodiversity. The ban is defensible as a precautionary principle even if it denies India some productivity gains.

WHAT INDIA GAINED — AND WHAT IT RISKED LOSING

India's primary gain is improved US market access for:

- Pharmaceuticals** — generics, which face non-tariff barriers in the US market
- Textiles and apparel** — competing with Bangladesh, Vietnam, and Cambodia
- IT services** — H-1B visa regime and cross-border data flow rules remain unresolved
- Engineering goods and auto parts** — competing with Mexico and China

The reduction from 50% to 18% in reciprocal tariffs is meaningful for these sectors. India runs a **USD 1.3 billion agricultural trade surplus** with the US — maintaining this while securing manufacturing access is the right trade-off.

What India risked: a breakdown in negotiations that would have triggered US tariffs at the 50% level, potentially damaging exports significantly at a time of global trade uncertainty (post-Trump tariff architecture). India's FTA negotiations with the US have been on-again, off-again for over two decades. An interim framework — even asymmetric — preserves the negotiating relationship and creates a foundation for a more comprehensive agreement.

THE WTO DIMENSION

Both countries' commitments under WTO Most Favoured Nation (MFN) rules complicate bilateral agreements. India's agricultural tariffs are already high by WTO bound rates — the US has periodically challenged India's poultry tariffs, dairy support prices, and sugar subsidies at the WTO. The interim understanding likely sidesteps formal WTO rules through creative scheduling or by staying below the threshold of a formal FTA that would require WTO Article XXIV compliance.

This legal ambiguity is manageable in the short term but creates uncertainty for Indian exporters seeking stable access to the US market. A comprehensive FTA — negotiated carefully — would provide more durable market access than successive interim understandings.

THE LONG ARC OF INDIA-US TRADE TENSIONS

India and the US have had a complicated trade relationship. The US removed India from the Generalized System of Preferences (GSP) in June 2019, citing market access restrictions. India imposed retaliatory tariffs on US goods (almonds, walnuts, stainless steel) in response. The WTO dispute over India's ICT tariffs on solar panels and mobile phones has also festered.

The interim understanding represents a pragmatic *détente*: both sides have domestic political constraints (US farmers want market access; Indian farmers cannot be exposed to competition), and both sides have enough mutual interest — the USD 128 billion bilateral trade relationship, the Quad strategic partnership, the iCET technology cooperation — to not let agricultural trade disputes become a relationship-defining issue.

The question is whether this pragmatic accommodation can be institutionalised into a stable, rules-based framework — or whether it remains a series of bilateral bargains subject to the political weather in Washington and New Delhi.

UPSC RELEVANCE

India-US bilateral trade (USD 128 billion), India's agricultural surplus with US (USD 1.3 billion), DDGS (Distillers Dried Grains with Solubles), GSP removal (June 2019), India's maize production (~43 million tonnes), GM crop ban, WTO Article XXIV (FTA rules), MFN (Most Favoured Nation), CGST, H-1B visas.

*India-US bilateral relations; WTO and trade negotiations; India's trade policy architecture. **GS-3:** Agricultural trade policy; food security; GM crop regulation; import substitution vs. free trade debate; GSP and preferential trade arrangements.*

★ FACTS CORNER — KNOWLEDGEPEDIA

INDIA-US INTERIM TRADE UNDERSTANDING (FEB 2026):

US reciprocal tariff reduction: ~**50%** → **18%** on Indian goods

Zero-duty access granted (India to US): **spices, tea, coffee, cashew, coconuts**

Excluded from India's market: **meat, poultry, dairy, wheat, rice, pulses, fruits**

GM crop ban maintained: No **GM corn or GM soybean** imports

Permitted as alternative: **DDGS** (non-GM animal feed) and **sorghum**

INDIA'S AGRICULTURAL TRADE DATA:

India's agri trade surplus with US: **USD 1.3 billion**

India's maize production (2025-26): ~**43 million tonnes**

India's compound feed production: **60 million tonnes**

India's farm households: ~**150 million** (majority smallholders)

INDIA-US TRADE CONTEXT:

Bilateral trade: **USD 128 billion** (India runs overall trade surplus)

GSP removal by US: **June 2019** (India had been the largest GSP beneficiary — ~\$6B exports)

India's retaliatory tariffs (2019): Almonds, walnuts, stainless steel products

WTO disputes: India's ICT tariffs, solar panel safeguard duties, poultry tariffs

WTO RULES:

MFN (Most Favoured Nation): Core WTO principle — trade concessions to one country must be extended to all

Article XXIV: Governs FTAs — allows MFN exemption for comprehensive FTAs covering “substantially all trade”

DDGS full form: **Distillers Dried Grains with Solubles** (byproduct of corn ethanol production; high-protein animal feed)

OTHER RELEVANT FACTS:

iCET (Initiative on Critical and Emerging Technologies): India-US framework for AI, semiconductors, quantum

Bt Cotton: Only approved GM crop in India (for commercial cultivation since 2002)

India's GMO regulation: Genetic Engineering Appraisal Committee (GEAC) under MoEFCC

Sources: Indian Express, Drishti IAS

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