

Watch the 'Masala' pinch of a trade deal with America

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World trade has turned into a reality show, with Trump pulling the strings and expecting countries to follow his lead. On 7 July 2025, US President Donald Trump escalated his trade offensive with a flurry of moves on his Truth Social account. He posted tariff notices issued to 14 countries—including Japan, South Korea, Malaysia, Thailand and South Africa—announcing higher duties of 25% to 40% from 1 August. This was followed by a unilateral claim that a deal with India was near and an executive order extending the deadline for all countries to 1 August. Until then, the temporary 10% tariff—first imposed on 2 April as part of Trump's 'Liberation Day' measures—will remain in effect.

If an Indian deal comes through before 1 August, it will only be the third after his two in-principle deals with the UK and Vietnam, and a temporary truce with China. This will be a paltry record, given the fanfare of deals with most countries worldwide that Trump

had promised would be concluded by 9 July. India has reportedly given the US the best it can offer and the ball was in Trump's court on the eve of that date. Areas of extreme Indian sensitivity—dairy and agriculture, including GM crops—are reportedly not part of the deal. India exports over \$86 billion worth of goods to the US and our key interest is to preserve and increase as much of that market as possible, without compromising the country's interests.

And yet, as the Global Trade Research Initiative (GTRI) notes in its recent report, a mini-trade deal at this juncture with the US would be one under duress, not reciprocity. Such an early package may look at delivering quick wins through tariff cuts, loosening India's digital trade provisions and relaxing foreign direct investment (FDI) rules for US e-commerce firms. Broader issues of India's interest, like H-1B visas and a social security pact, remain off the table for now. As part of the mini-deal, India may lower tariffs and offer tariff-rate quotas on select US goods—such as ethanol, apples, almonds and wine. It may also reduce duties on many industrial products. In return, Washington may roll back its country-specific tariff on Indian exports from 26% to 10%, but retain its standard Most Favoured Nation (MFN) tariffs,

limiting any real market access gains for us.

This will not qualify as a 'Free Trade Agreement,' since it would not cover substantially all trade, as required under World Trade Organization (WTO) rules. It also violates the WTO's MFN principle, which requires non-FTA tariffs applied to imports from all countries. But, like the UK and Vietnam before us, we may have to agree by assessing the costs and benefits of what's actually on the table.

Trump's manoeuvres also reveal unreliability. He seems to revel in springing surprises, as seen in a bizarre threat on his Truth Social account of an additional 10% tariff on the Brics grouping over what he has labelled as "anti-American" policies. Brazil's President Luiz Inacio Lula da Silva, hosting this year's Brics summit, responded: "The world has changed. We don't want an emperor. We are sovereign countries."

Founded by Brazil, Russia, India, China and South Africa, Brics has expanded to include Indonesia, the UAE, Saudi Arabia,

Egypt, Ethiopia and Iran. India is set to take on the Brics presidency next year and Prime Minister Narendra Modi has indicated the need for Brics to build the resilience of countries and be the voice of the Global South. It will be a delicate tightrope walk to transform Brics into a meaningful force to reckon with, while fending US threats.

Trump also does not seem to care for legal commitments and trade agreements; US tariffs against Japan and South Korea violate FTAs previously negotiated with these countries. The deal with Vietnam raises tariffs against Vietnam to 20% despite an over 20-year-old US-Vietnam FTA that had set average tariffs below 3%. Vietnam's approval in May 2025 of a \$1.5 billion golf resort

project by Trump Organization in Hanoi, while not part of the official agreement, clearly had a bearing on the tariff reduction.

Similar pressures from the US on India to ease restrictions on re-manufactured goods and make large-scale commercial purchases from the US—from LNG and crude oil to

Boeing aircraft and nuclear reactors—are not the usual trade-offs seen in mutual FTAs. These are plainly transactional demands.

The legal basis for these American tariffs is shaky and being resisted within the US also. On 28 May, a federal court ruled that the tariffs imposed on the pretext of "national security" are an illegal exercise of power. The Trump administration obtained a stay on that ruling, which is currently under appeal.

If there is no deal: If an India-US trade deal falls through, India may face US tariffs—26% or more—starting 1 August. But India will not be alone. As it stands, any proposed deal will be far from balanced. The US would gain real market access and regulatory wins, while India would merely avoid punitive tariffs that are WTO-inconsistent and possibly inconsistent with US law as well.

India's long-term strength will lie in boosting domestic manufacturing, reducing its import reliance on China, and pursuing fairer trade deals with more cooperative partners. A Trump deal is never a promise, it seems; it is only a temporary pause, and in essence a 'Masala' deal—Mutually Agreed Settlement Achieved through Leveraged Arm-twisting.

These are the authors' personal views.

**As time ticks
away for a pact
on trade, India
should resist
getting caught
in Trump's
tariff trap**