

SHIFTING GLOBAL POLICY LANDSCAPE: TRADE DOMINATES, CAPITAL FOLLOWS



“This present window of opportunity, during which a truly peaceful and interdependent world order might be built, will not be open for too long - We are on the verge of a global transformation. All we need is the right major crisis and the nations will accept the New World Order.”

— David Rockefeller’s 1994 quote is...
‘truer than ever before’

- *There are tectonic shifts underway in the global flows landscape i.e. both trade and capital.*
- *We believe that trade is fragmenting far more rapidly than capital flows, which are likely to follow with a lag redirecting toward “trusted” partners with whom the right deals have been struck in time*
- *Economies around the world are rushing to forge trade deals with the US and with one another in an effort to safeguard themselves in protectionist world*
- *Global flows have shifted from US to global equities, even as most DM debt markets have seen inflows*
- *Dollar has seen worst FX returns in more than a decade. However, we believe that questions on Dollar hegemony is like a storm in a (trade) tea cup, given the lack of credible alternatives, even as gold has gained some sheen.*
- *The Fed is set to (re)-start its rate-cut cycle in September as the economy has shown some fault lines, while other developed markets are ending theirs, even as UST yield curve has steepened on fiscal concerns.*
- *In our view, the key unknown is the extent of tariff-hike passthrough to US consumers. This will be a primary driver of Fed monetary policy reaction function and will impact both the US Dollar and US rates.*

- Trump's 25% tariffs on India: direct impact on growth of ~30bps and ~\$12bn; all eyes on when the stalemate ends
- We estimate the impact of ~30bps on India's GDP growth with absolute impact seen at ~10-12bn via exports channel
 - The impact may be double if the 25% penalty applies from 27th August, yet both sides are negotiating on a trade 'deal'
 - Worst affected sectors on deal stalemate are jewellery, textiles, auto components while for agriculture impact has been capped. China dumping effects on watch in sectors like electronics, chemicals, solar etc
 - Impact may be higher on hit on investment sentiment and if sectors currently exempted from tariffs like pharma, electronics etc see a tariff hike and/or penalties are imposed on higher share for Russia in our energy & defence imports at ~40% & 65%
 - We compliment the MPC for frontloading easing (both rates and liquidity) and shifting to 'neutral' stance to retain policy flexibility in a volatile world. We see status quo in October MPC even as the RBI may consider credit support measures for affected sectors especially for MSMEs
 - While some stimulus announcements by the Government are likely, they may be more focused on credit guarantees, interest subventions etc in order to limit the impact on fiscal dynamics
 - Now all eyes on when the US-India trade deal stalemate ends. In this regard, S&P rating upgrade for India provides some hope & relief in terms of its timing. While it is an 'overdue' acknowledgement of the turnaround in macro stability for the economy, it somewhere signals a 'thaw' in US-India relations

Tectonic shifts underway in global trade

Global trade chessboard is re-aligning itself: Every move matters

% Share in total exports

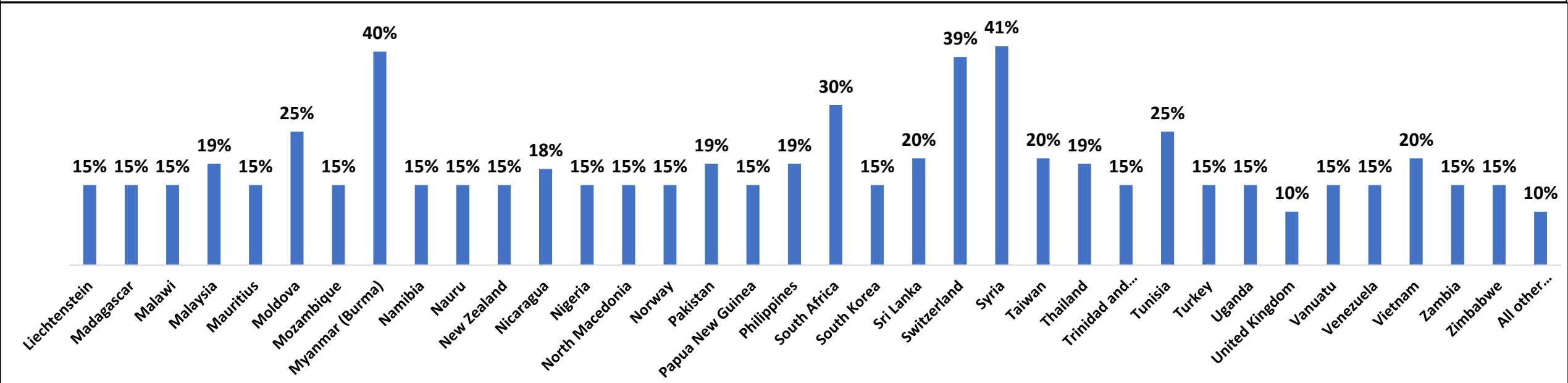
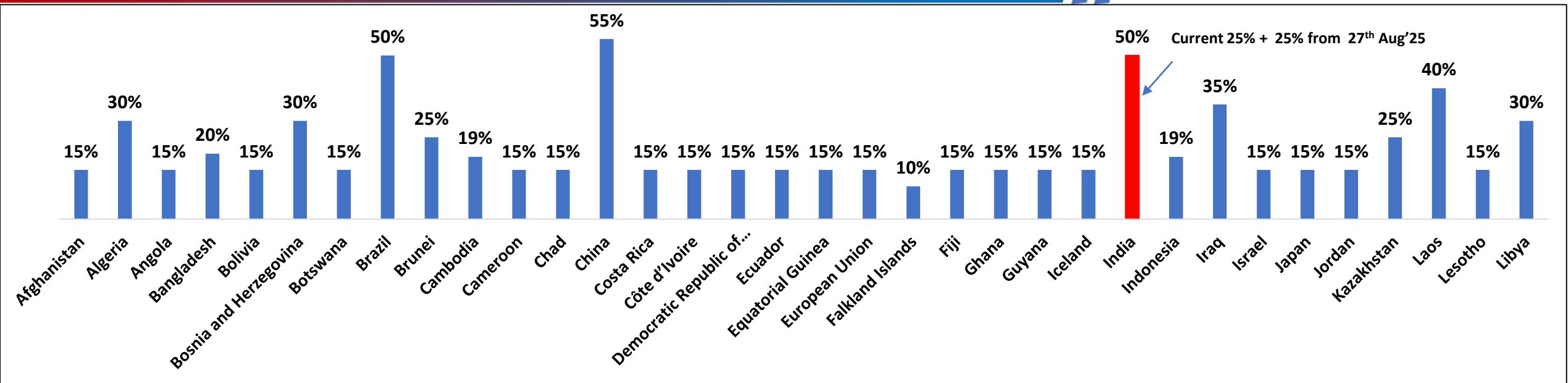
Country	US	China	India	Japan	ASEAN	EU (27)	UK	Russia
US	0.0	7.3	2.0	3.8	5.3	18.3	3.7	0.03
China	14.8	0.0	3.5	4.7	15.5	14.8	2.3	3.2
India	17.6	3.8	0.0	1.2	9.2	17.4	3.1	1.1
Japan	20.2	17.6	2.2	0.0	14.6	10.3	1.7	0.3
ASEAN	14.9	15.9	3.6	6.7	22.1	8.7	1.1	0.2
EU (27)	7.7	3.4	0.7	1.0	1.4	60.1	5.1	0.5
UK	13.7	6.6	2.4	1.3	2.9	42.5	0.0	0.1
Russia	0.8	32.4	16.1	1.4	2.5	9.6	0.1	0.0

% Share in total imports

Country	US	China	India	Japan	ASEAN	EU (27)	UK	Russia
US	0.0	14.1	2.8	4.8	10.1	18.6	2.1	0.1
China	6.5	0.0	0.7	6.3	15.2	11.0	0.8	5.0
India	6.3	18.1	0.0	2.8	10.0	7.9	1.0	9.1
Japan	10.7	22.2	0.7	0.0	15.3	10.3	0.9	0.8
ASEAN	7.4	23.9	2.0	6.9	21.0	7.2	0.9	0.5
EU (27)	6.0	9.3	2.6	6.9	3.0	55.2	3.0	0.6
UK	11.9	12.5	1.8	1.9	3.5	40.6	0.0	0.1
Russia	0.3	56.1	2.4	1.1	1.6	16.7	0.3	0.0

- Global trade is becoming more **multipolar**, with Asia led by China, ASEAN, and India emerging as both key suppliers and growing consumer markets, challenging the long-standing dominance of the US and EU.
- Trade patterns are concentrating and realigning, with Russia pivoting heavily towards China, the EU maintaining strong intra-bloc trade, and supply chains increasingly clustering within regional hubs.

How Trump is changing trade landscape with steep tariff hikes



How Trump is changing trade landscape with fresh deals being formed (1)

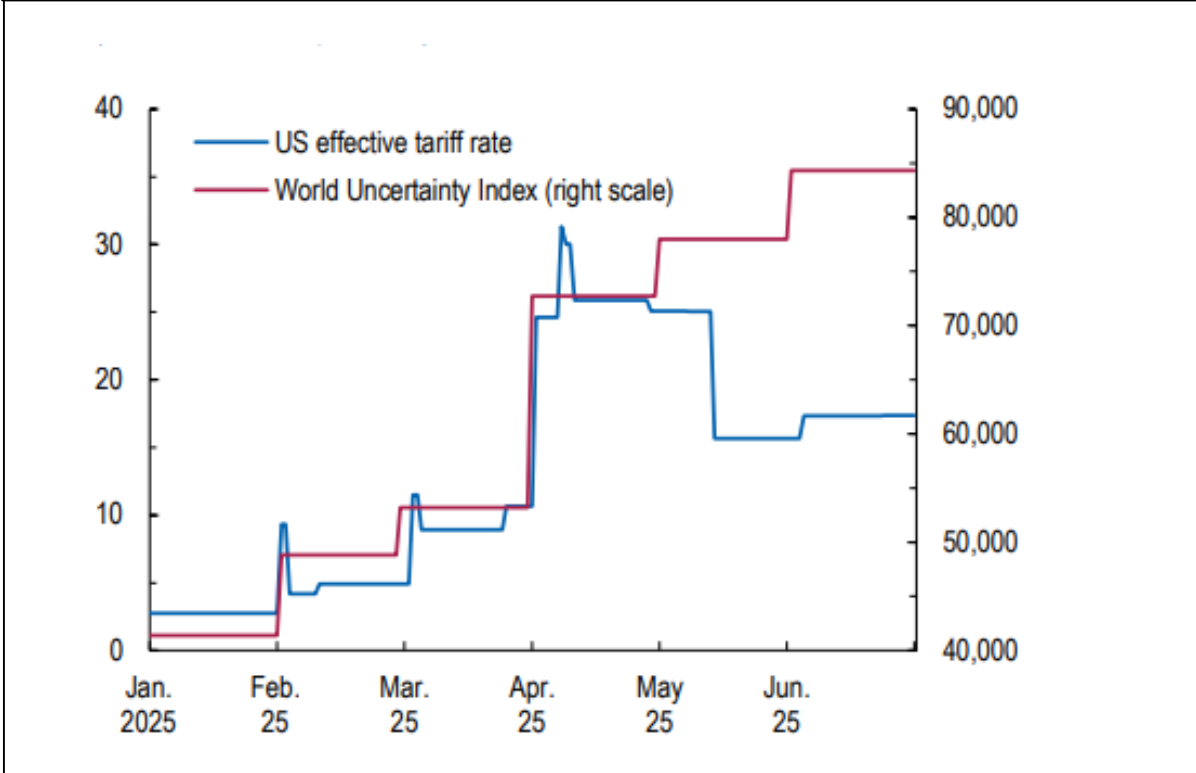


Country	Tariff rate (US on partner)	Sectors with zero tariffs	Agriculture	Metals (Steel & aluminium derivatives)	Automobiles & parts	Energy	Any investment deals agreed
E.U.	15% baseline on most EU exports down from 20% announced on 2 nd April'25	Aircraft & parts, certain chemicals, semiconductor equipment, Agri/critical raw materials	15%	50%	15%	15%	EU purchase \$750 bn in U.S. & invest \$600 bn by 2028.
Japan	15% baseline down from 20% announced on 2 nd April'25	None stated	15%	50%	15%	15%	Japan to invest \$550B
China	55 % tariffs on Chinese imports, China to levy 10 % on U.S. purchases	None stated	+10% additional on top of any existing duties	50%	TBD	+10% of exist. duties	No explicit investment pledge
Indonesia	19% (down from 32%) under US framework.	Not yet (specific list pending)	19%	50%	-	19%	Jakarta to buy 50 Boeing jets, \$15 B energy
Vietnam	20% US tariff on VN goods; 40% on trans-shipments	No explicit U.S. zero-tariff lines announced	20% baseline tariff; 40% on trans-shipments	50%	TBD	20%	—
South Korea	15% tariff trimming the earlier 25% threat ahead of the Aug 1 deadline	None stated	15%	Metals gets separate, higher tariffs.	15%		\$350 & \$100 bn energy purchases
India	25% tariff + 25% penalty" due to its ties with Russia effective from 27.08.25)	None stated	25%+ addl 25% from 27.08.25	50%	25%+ addl 25% from 27.08.25	25%+ addl 25% from 27.08.25	-

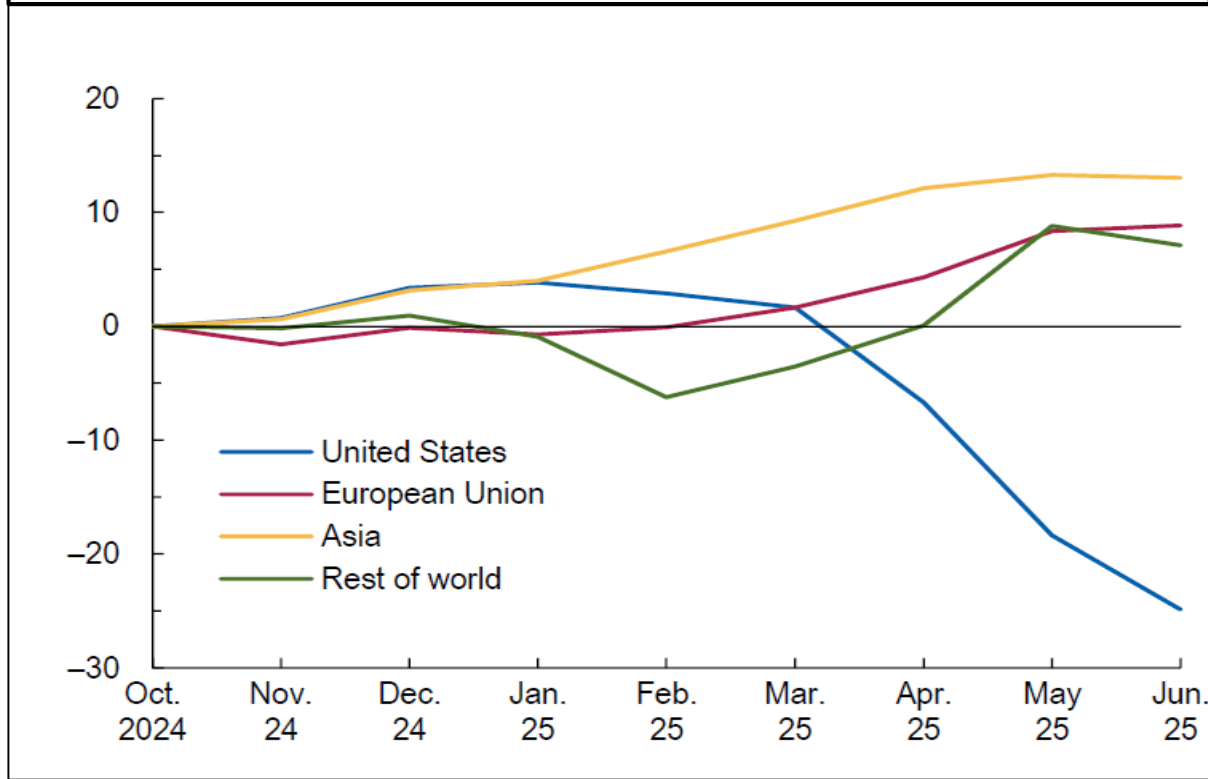
- **South Korea:** U.S. sets **15%** tariffs on most Korean goods; Seoul pledges **\$350bn** investment in the U.S. (plus energy purchases). This averts the threatened 25% but still raises **U.S. entry costs vs pre-April and exports capital from Korea**. Autos face 15% (from zero on many lines under the earlier FTA).
- **Japan:** A deal cut **threatened tariffs** on autos/other goods, but only after Tokyo agreed to **~\$550bn** in U.S.-bound investment/loans. Net: less bad than a 25% wall, yet **tariffs remain higher than 2024 norms**.
- **European Union:** Agreement includes a **15% U.S. tariff** on EU goods and sizeable **EU purchases of U.S. energy and military equipment** plus **\$600bn U.S. investment pledges**. Markets saw relief vs. worse scenarios, but relative to pre-April access this is **tighter and costlier**.
- **Indonesia:** Settled near **19%** again below earlier threats but **well above pre-April levels** with the EU simultaneously preparing counter-measures, raising global uncertainty and diversion risks.
- **Brazil:** Broad **50% U.S. tariff** announced, with **sector exemptions** (aircraft, energy, etc.) and a start date now **Aug 6**. Even with carve-outs, the headline rate represents a **severe deterioration** in access and a negative macro shock flagged by Brazil's central bank.

Has US-China trade come to standstill despite a thaw in relations?

Uncertainty has remained elevated even though US-China agreed to extend the tariff deadline by 90 days



China's Cumulative Export Growth by Destination



- *After a burst of front-loaded shipments in March and April ahead of looming tariff hikes, China's exports to the U.S. eased in May as the initial rush unwound.*
- *Shipments to the EU and rest of world dipped modestly in early 2025 but recovered to modest positive growth by mid-year. While exports within Asia have continued rising strongly.*

China's trade surplus continues to grow despite reduced US dependence

Period	Trade Surplus (US\$ bn)
Jul 2024	84.65
Nov 2024	97.44
Dec 2024	104.8
Jan–Feb 2025 (combined)	170.52
Mar 2025	102.64
Apr 2025	96.18
May 2025	103.22
Jun 2025	114.77
Jul 2025	98.24

Month (2025)	Total exports (YoY)	Exports to U.S. (YoY)	Notes
Jan-Feb (combined)	+2.3%	-12.6%	Weak start; imports 8.4%.
Mar	+12.4%	+4.5%	Front-loading begins as tariff risk rises.
Apr	+8.1%	-21%	Export growth still elevated; Geneva talks imminent.
May	+4.8%	-34.5%	Geneva pause begins May 12-Aug 12; U.S. lane plunges.
Jun	+5.8%	-16.1%	Partial stabilization vs May, but still down y/y.
Jul	+7.2%	-21.67%	Front-loading ahead of Aug 12 expiry; ASEAN +16.6% y/y.

- *Trump's post-Geneva tariff regime has had a measurable dampening effect on China's exports to the U.S., driving a steep decline in U.S.-bound shipments in the H1'25.*
- *The Geneva truce provided a brief respite and prompted some recovery in trade flows, but it did not fully restore U.S. import demand for Chinese goods. Instead, exporters diverted to other markets (ASEAN, E.U.) and navigated a climate of ongoing uncertainty.*

US-China deal is not yet a law

Framework announced • Not enacted

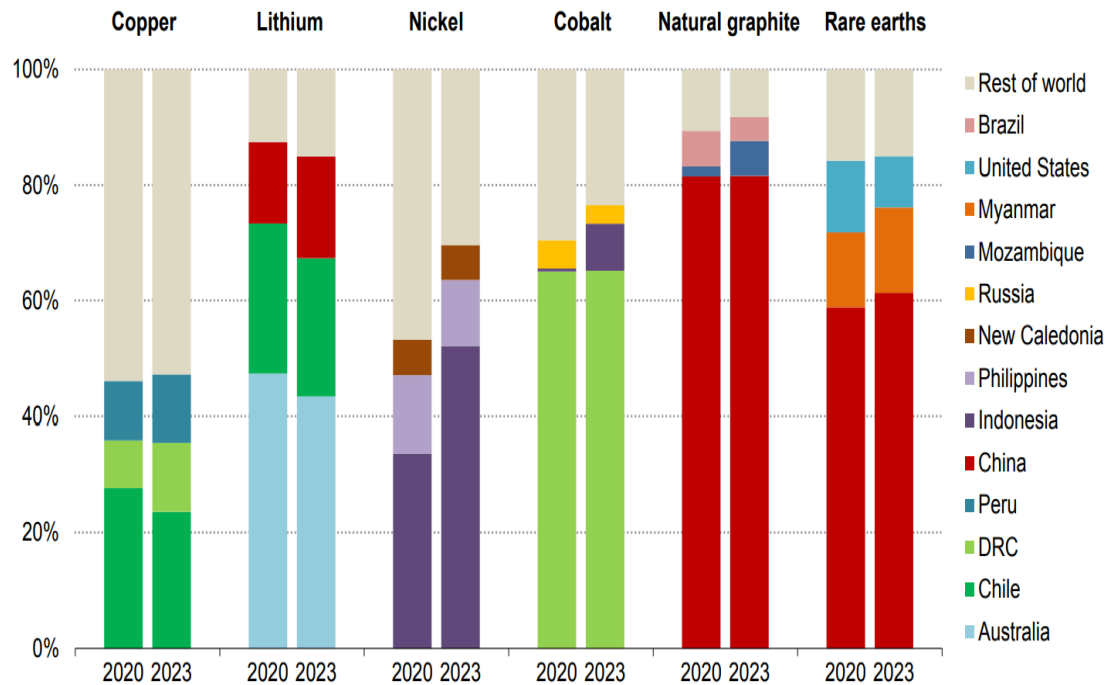
No binding statute or final rule issued

Terms & timelines can still change

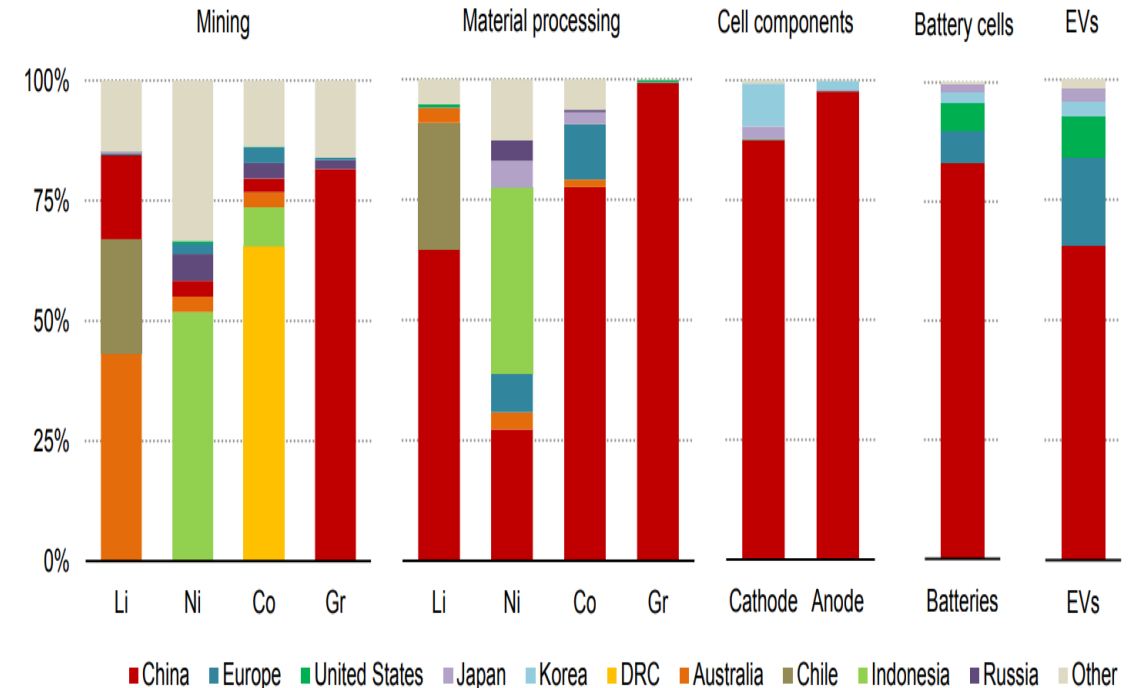
Trump has flip-flopped on commitments

China's Rare-Earth monopoly: Weaponizing critical mineral supply

Share of mined or raw material production by country, This concentration gives Beijing potent leverage to “weaponize” rare earth exports



Geopolitical distribution of critical mineral global supply chain



- China's grip on refined rare earths has only tightened its share rose to roughly 85% in 2023 from about 80% in 2020—cementing its dominance over a critical input for high-tech and defence supply chains.
- Across other key battery- and EV-related metals (nickel, cobalt, graphite), China either maintained or modestly increased its refining footprint, highlighting a broader strategy of moving up the value chain.







ATP (Advanced Technology Product) Group	What it covers	US exports → China	US imports ← China USD million
04 – Information & Communications	Computers/servers (HS 8471), comms gear (HS 8517), networking, radar/satcom	1,681	29,863
05 – Electronics	Integrated circuits (HS 8542), passive/PCB components	5,722	1,390
06 – Flexible Manufacturing	Chipmaking tools/robots (HS 8486), NC tools	1,531	650

- *AI/Tech disruption is driving US-China trade interdependence via imports of electronics, semiconductors etc.*
- *Also, Trump, with Executive Order 14178, “Strengthening American Leadership in Digital Financial Technology”, seeks to position the U.S. at the forefront of the blockchain revolution.*

How global flows are lagging behind
trade deals







Which assets are attracting capital flows in a fractured world order?

Since the April 2 announcement, U.S. equities saw a sharp shift to outflows, while EU and Japan sustained steady inflows while EMs clocked a cautious rebound.

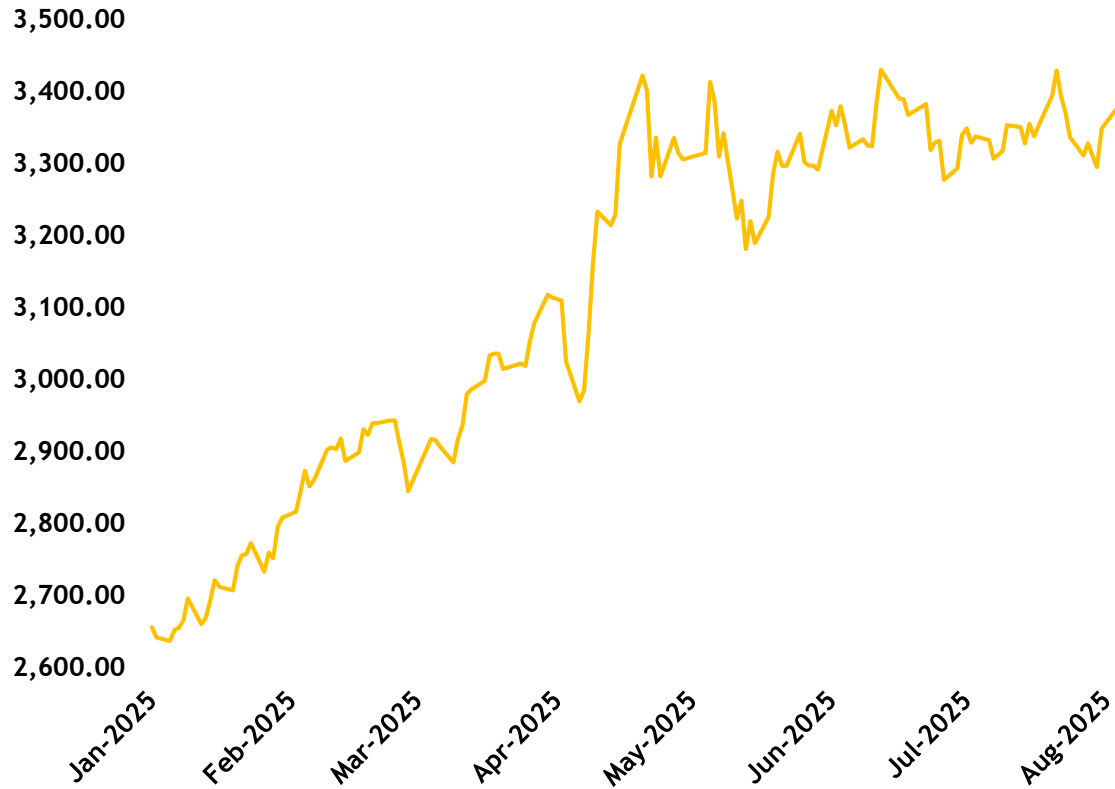
Week ending	US Equities	Europe Equities	Japan Equities	EM Equities
29 Jan	+2.8	0.0	+0.1	-1.3
26 Feb	+6.4	+1.6	+0.5	+0.1
26 Mar	+5.2	+2.9	+1.2	+0.2
2 Apr	+4.2	+2.2	+1.0	-0.3
16 Apr	 +8.9	+1.3	+0.6	 -1.0
7 May	-5.0	 +3.5	 +2.0	+0.4
28 May	-3.1	+1.7	-2.4	+0.5
25 Jun 25	 -8.9	+0.1	-0.5	+0.3
28 Jul 25	-8.6	+2.0	-1.1	 +1.1

 = peak inflow |  = peak outflow

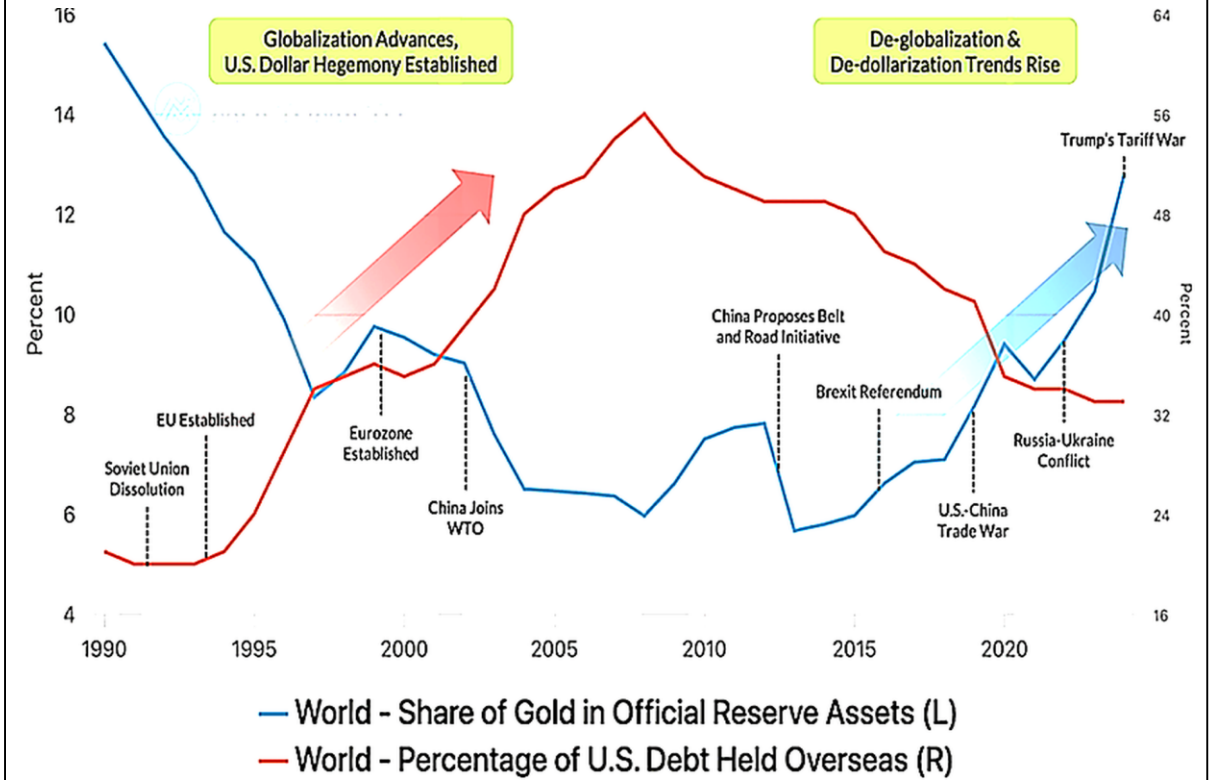
Bond markets saw a sharp mid-April selloff led by U.S. and EM bonds but flows rebounded strongly by late May, with sustained inflows into U.S., Europe and notable in EM debt.

Week ending	US Bonds	Europe Bonds	Japan Bonds	EM Bonds
29 Jan	+2.4	+5.4	-0.27	-0.27
26 Feb	+8.6	+5.2	+0.12	+0.12
26 Mar	+7.5	+2.4	+0.29	-0.19
2 Apr	+4.5	+1.4	+0.01	-0.30
16 Apr	 -9.5	 -3.5	 -1.45	 -1.45
7 May	-0.2	-0.4	-0.87	-0.70
28 May	+7.4	+6.8	+0.06	+0.25
25 Jun 25	+5.0	 +6.9	n/a	 +6.9
28 Jul 25	+5.5	+6.8	n/a	+0.05

Strategic Demand for gold in a Shifting Policy Landscape



Share of gold in official reserve VS Foreign held US debt



However, is it really challenging the Dollar hegemony?

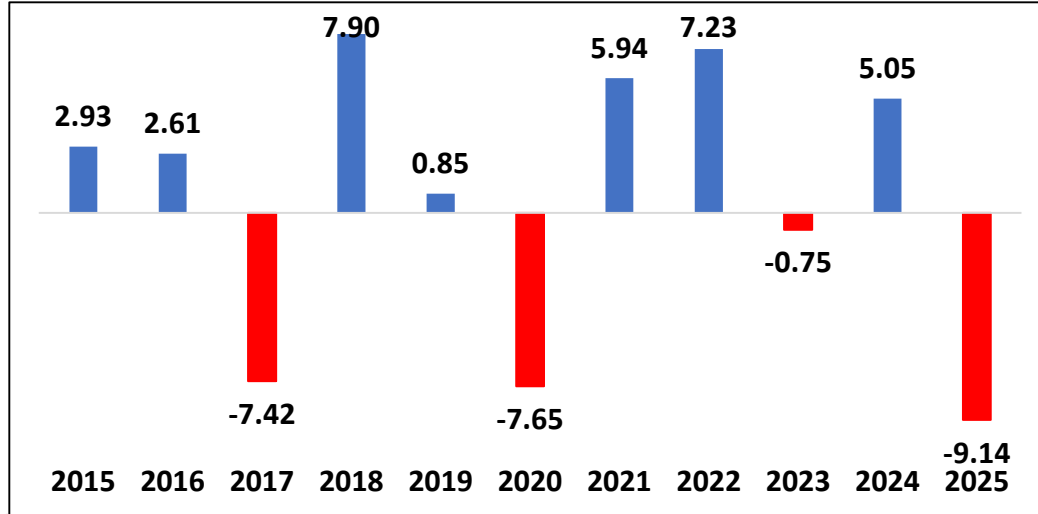
Currency allocation in Central Bank reserves as per IMF COFER data

Currency	2024'Q3	2024'Q4	2025'Q1	Δ Q4→Q1 (pp)
USD	~57.3	57.8	57.7	-0.1
EUR	~20.0	19.8	20.1	+0.3
JPY	~5.8	5.82	~5.15	-0.67
GBP	~4.8	4.73	~5.2	+0.5
CNY	~2.17	2.18	~2.12	-0.06
CHF	~0.17	0.17	~0.80	+0.6
AUD	~2.27	2.06	~1.44	-0.62
CAD	~2.74	2.77	~2.6	-0.2

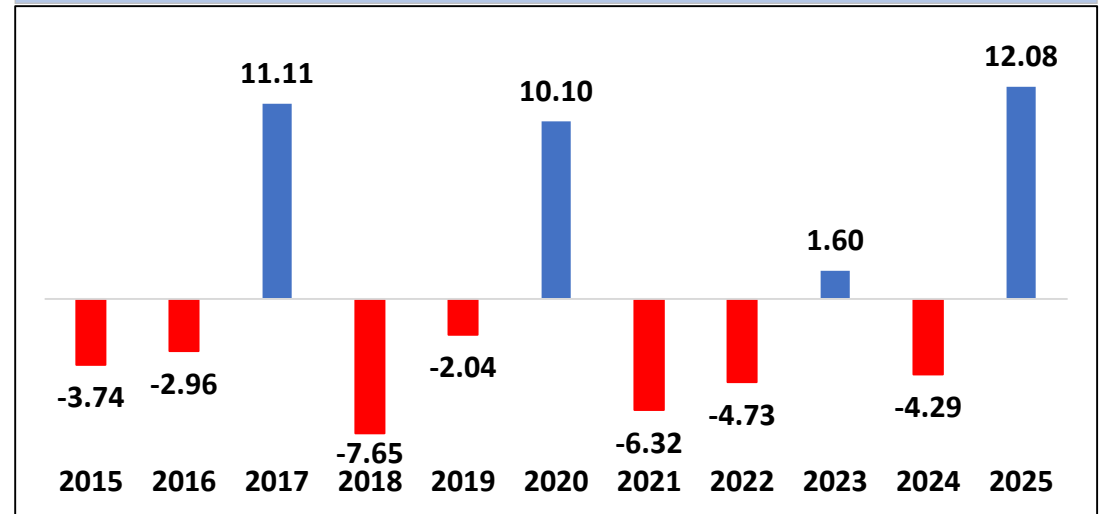
- *The US dollar remains dominant, but its allocation shows a gradual downtrend amid growing diversification.*
- *The euro is strengthening its position, rebounding in Q1 after a minor dip, Renminbi shares fell modestly, reflecting restrained momentum.*
- *This evolving trend in particular, the rise of CHF and decline of JPY and AUD signals nuanced shifts in reserve managers' strategies and broader FX sentiment.*

2025 marks the sharpest decline in a decade for DXY

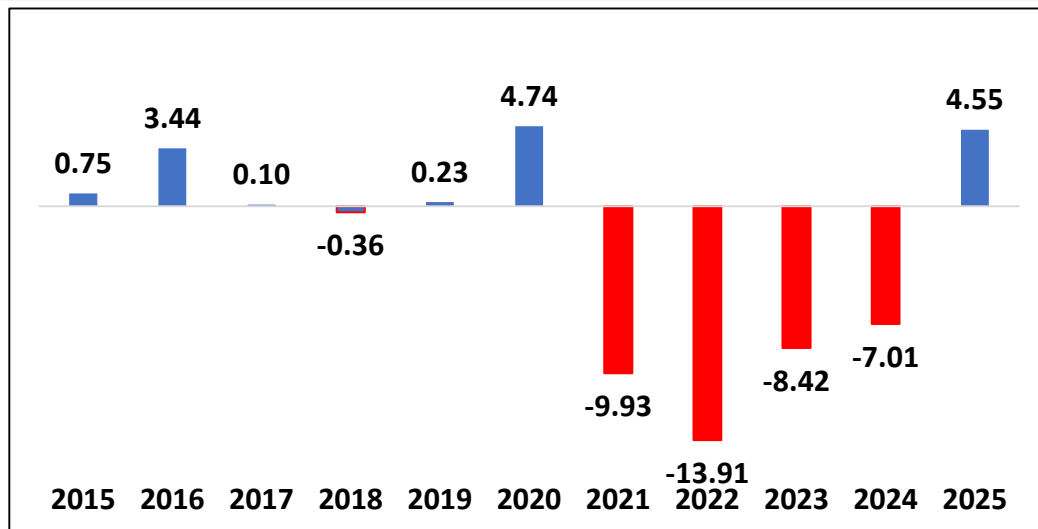
DXY Annual Return (%)



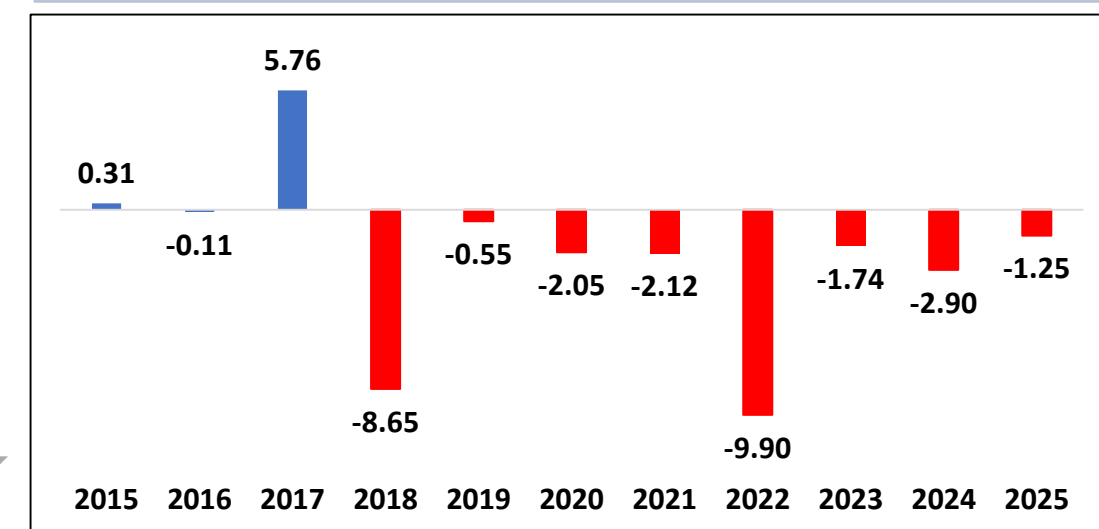
Euro Annual Return (%)



JPY Annual Return (%)



INR Annual Return (%)



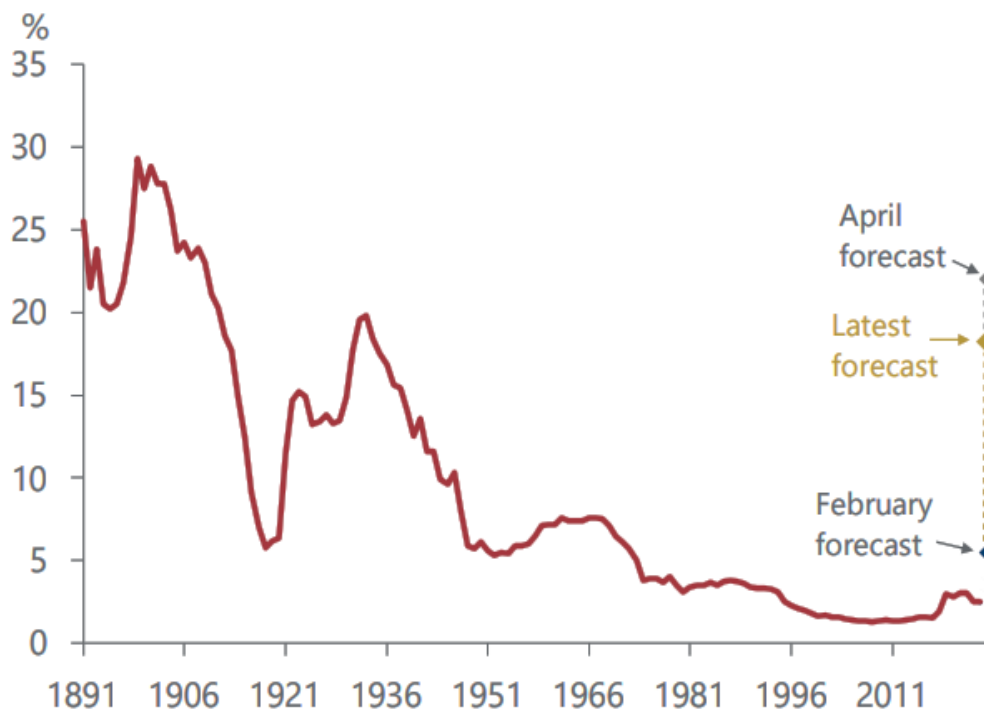
How markets are aligning to the
New World Order?

Are global markets underestimating the trump tariff impact ?

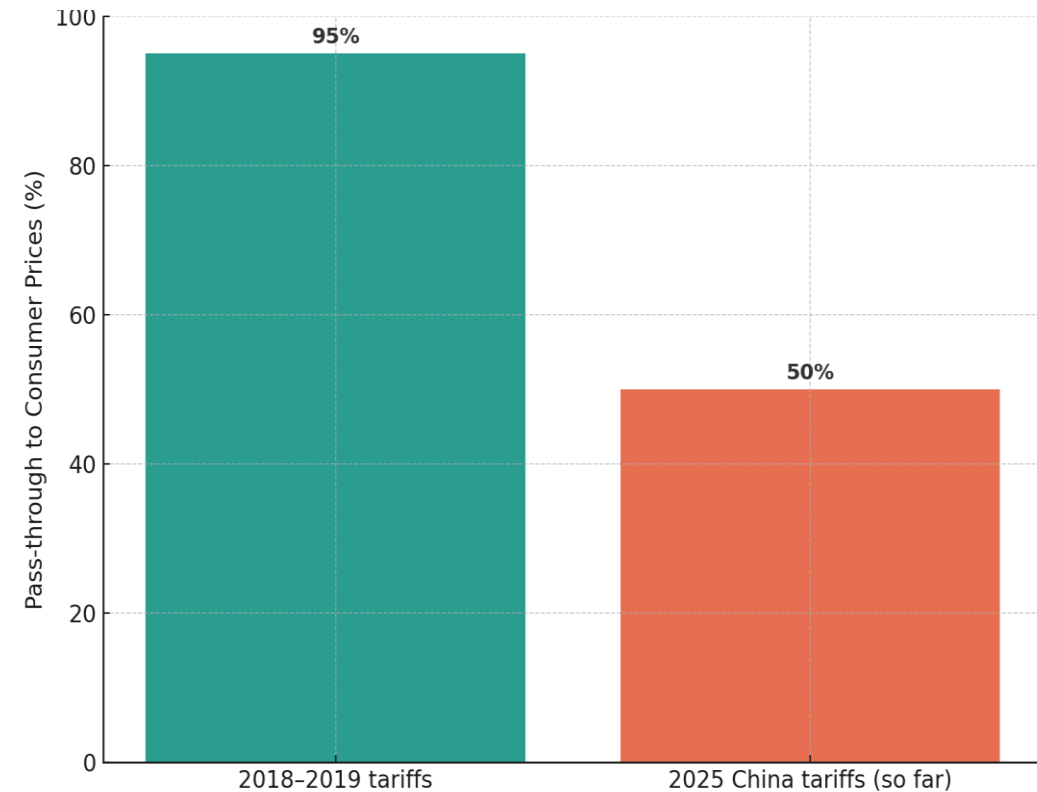
Impact by asset class		
Asset class	Market move (% change or bps)	
	02 nd April -09 th June	10 th June- 13 th Aug
Equities		
Dow Jones	1.27%	5.05%
Sensex	7.61%	-2.21%
Bonds		
US 10 Yr	+35bps	-30bps
India 10 Yr	-31bps	+20bps
FX		
Dollar index	-4.49%	-1.27%
Yuan	1.24%	0.15%
Rupee	-0.14%	-2.14%
Commodities		
Oil	10.45%	2.66%
Gold	6.22%	0.90%
Copper	2.18%	-7.71%

- Equities rally signal that the trade tariff shock is seen as transitory under-pricing second-round effects (inflation pass-through specially in the U.S. where consumers are bearing the part of the tariff hike, margin squeeze, retaliation)
- Bond market term premia, & EM FX point to tightening conditions; if enforcement broadens, a catch-up repricing looks likely

U.S. effective import tariff has corrected lower since April as trade deals are being formed



U.S. tariff hike pass-through Rates: Trump 1.0 vs Feb-Mar'25 tariff hike on China



- “A study by the [Fed](#) found tariff rises in 2018-2019 passed through quickly and almost fully to consumer goods prices, but that only around half the rise in tariffs on China in February-March 2025 passed through to consumer prices.”
- As per Oxford economics, “much will depend on retailers' ability to shift to less expensive supply sources, how much domestic US firms raise prices in response to the protection afforded by tariffs, and the extent to which reduced margins for retailers, wholesalers, and distributors offset tariff rises.”

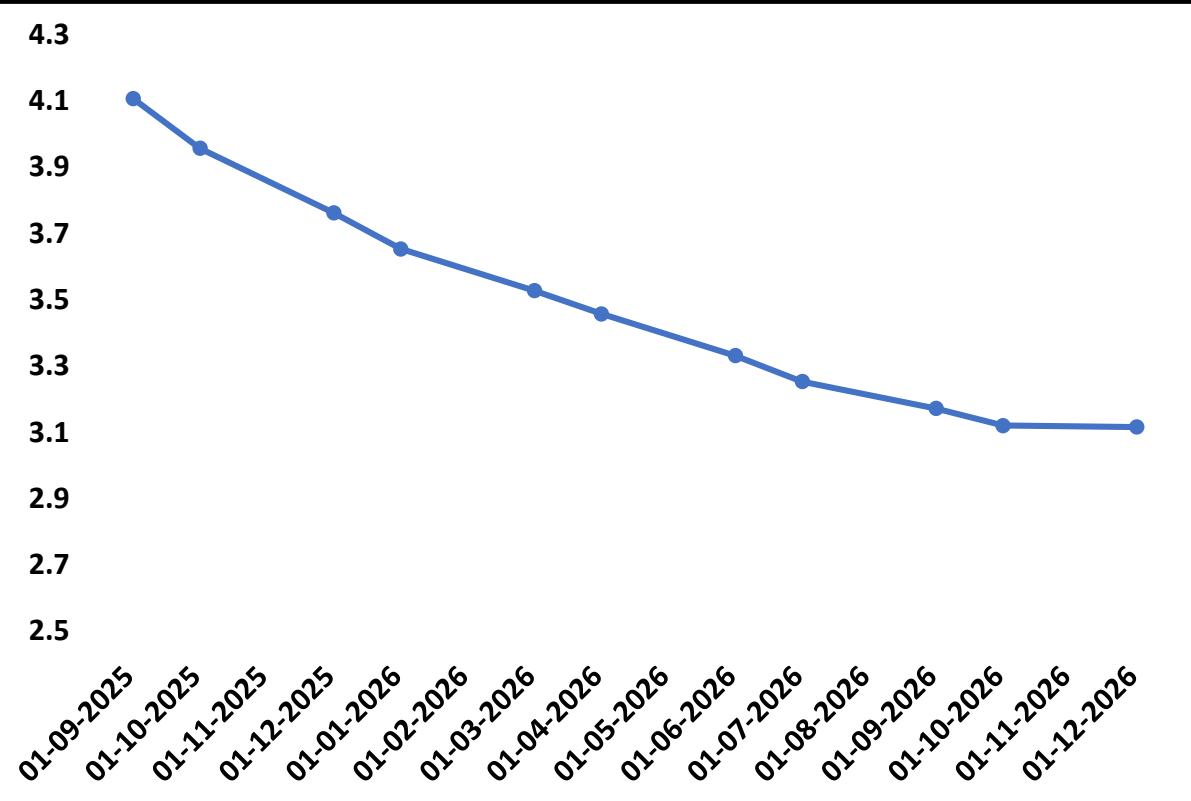
Economic & fiscal effects of Tariffs on U.S. economy

Metric	Value
Average effective tariff rate	18.6% (pre-substitution); 17.7% (post-substitution) – up +16.2 ppts and +15.3 ppts vs start-2025
Price level impact	+1.83% (short-run, pre-substitution); +1.5% (long-run, post-substitution)
Avg. household cost (2025\$)	\$2,400 (pre-sub); \$2,100 (post-sub)
Real GDP growth impact	-0.5 pp in 2025 and -0.5 pp in 2026 (Q4/Q4)
Unemployment impact	+0.3 pp by end-2025; +0.7 pp by end-2026; -505k payroll jobs by end-2025
Long-run real GDP level	-0.4% (\approx -0.41%); exports -16.1%
Tariff revenue (2026-35)	\$2.7T (conventional); -\$0.475T dynamic \Rightarrow \$2.2T (dynamic)

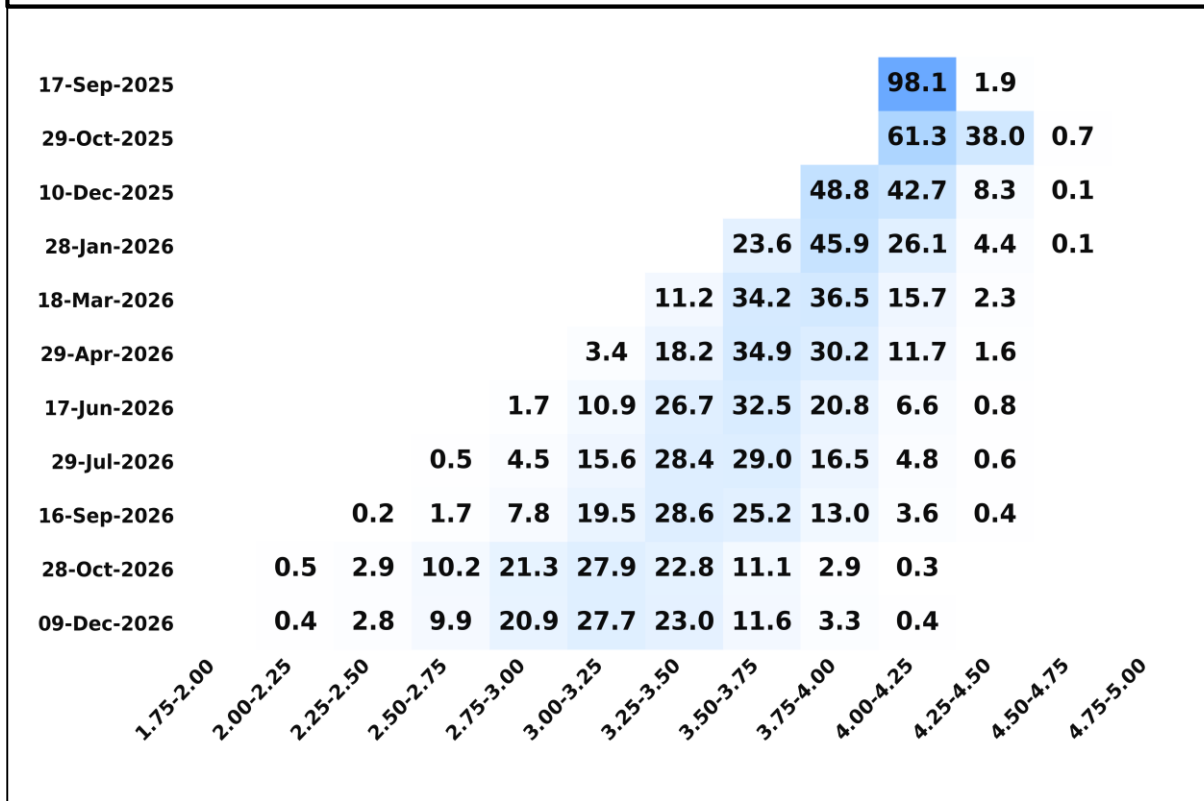
Are policymakers overlooking inflation impact of tariff hikes?

Person	Comment / tweet (why tariffs won't lift inflation)
Donald Trump	<i>"Foreign firms 'pay'; subdued CPI shows tariffs aren't hitting consumers."</i>
Scott Bessent (U.S. Treasury Sec.)	<i>"Latest CPI data shows no tariff hit; core goods subdued. Stronger USD helps offset."</i>
Christopher Waller (Fed governor)	<i>"Tariffs are a one-off price-level bump, not persistent inflation"</i>
Austan Goolsbee (Fed governor)	<i>"So far the tariff effect looks limited; services inflation is the bigger concern."</i>
Stephen Miran (CEA)	<i>"So far, no evidence of meaningful tariff-driven inflation; dollar strength tempers import costs."</i>
Claudia Sahm	<i>"Effects can be short-lived more a one-time level shift than ongoing inflation."</i>
Joseph Lavorgna (Treasury counselor)	<i>"Exporters are cutting prices to keep U.S. market share → limited pass-through to consumers."</i>

US Monetary policy in “Uncharted territory” on weak growth, high inflation risks



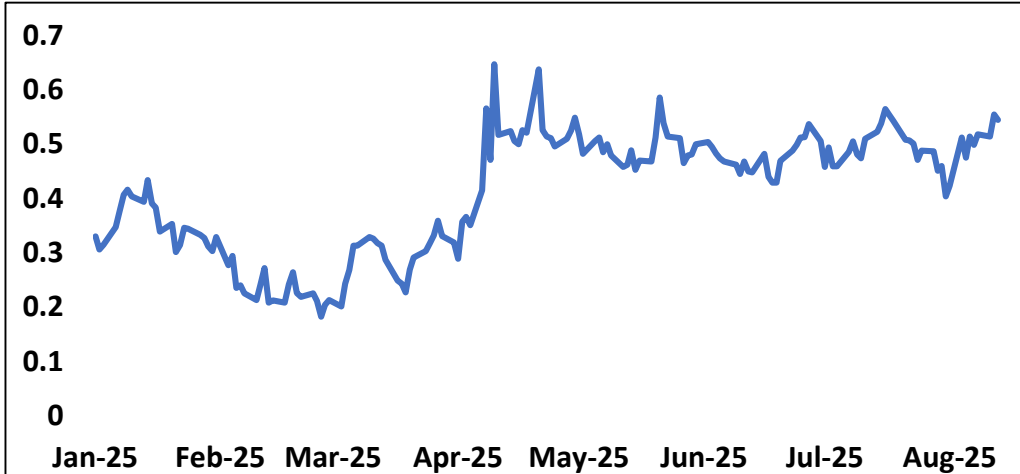
Probability distribution for U.S. Fed shows possibility of (re)start of rate cut cycle



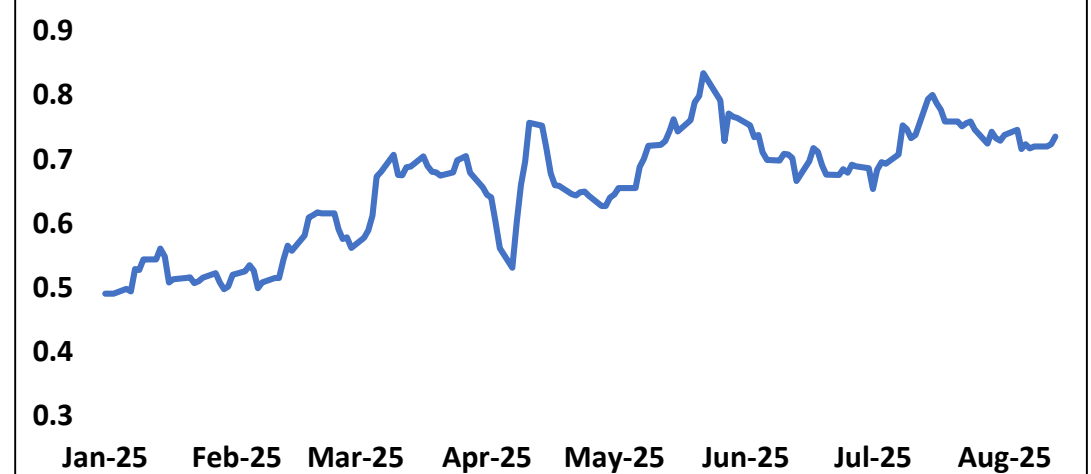
- Market pricing shows a 98% chance of a rate cut in September, fuelled by softening inflation and labor market data. Fed Governor Michelle Bowman has publicly advocated for three cuts this year, while U.S. Treasury Secretary also pushed for a bold 50bps reduction at the upcoming meeting

Steepening of yield curve(s) underway across DMs on fiscal worries

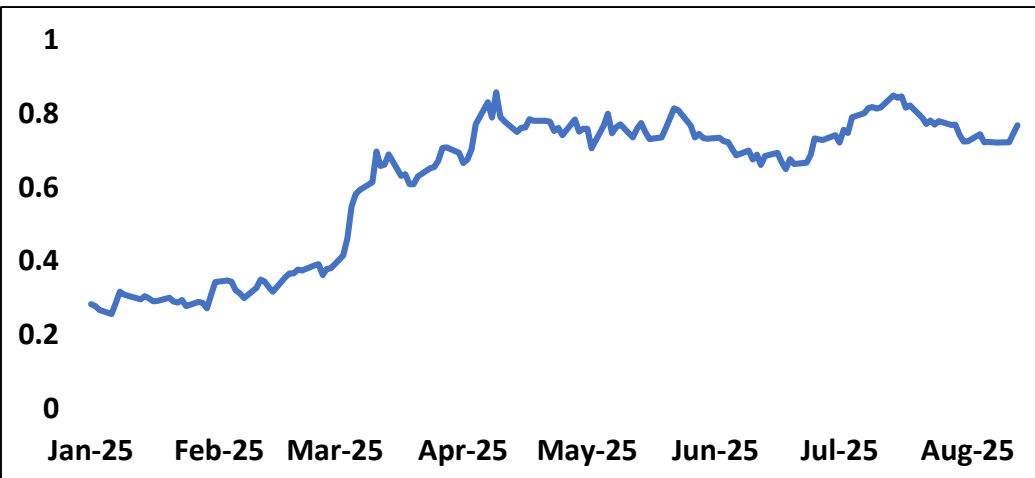
US (10Y-2Y Spread)



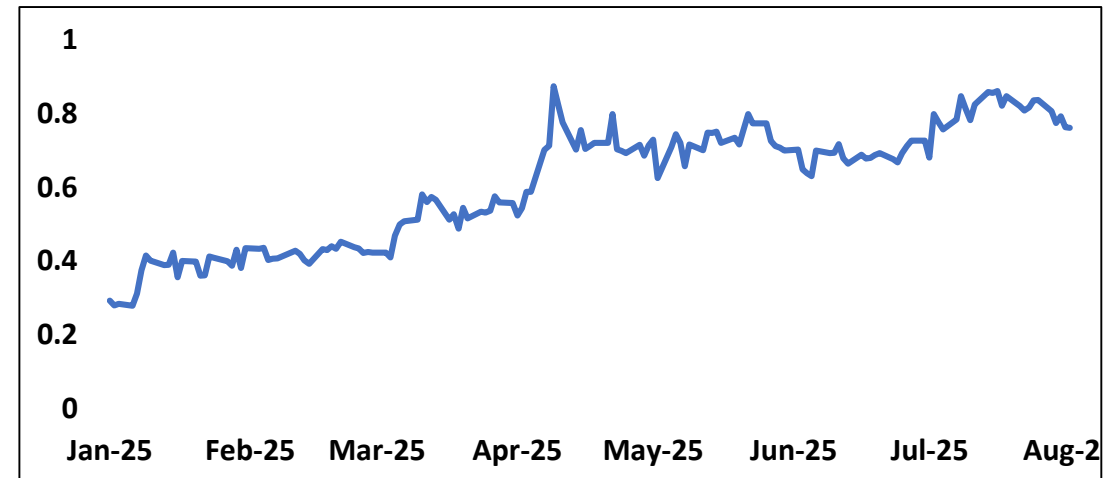
JPY (10Y-2Y Spread)



Germany (10Y-2Y Spread)

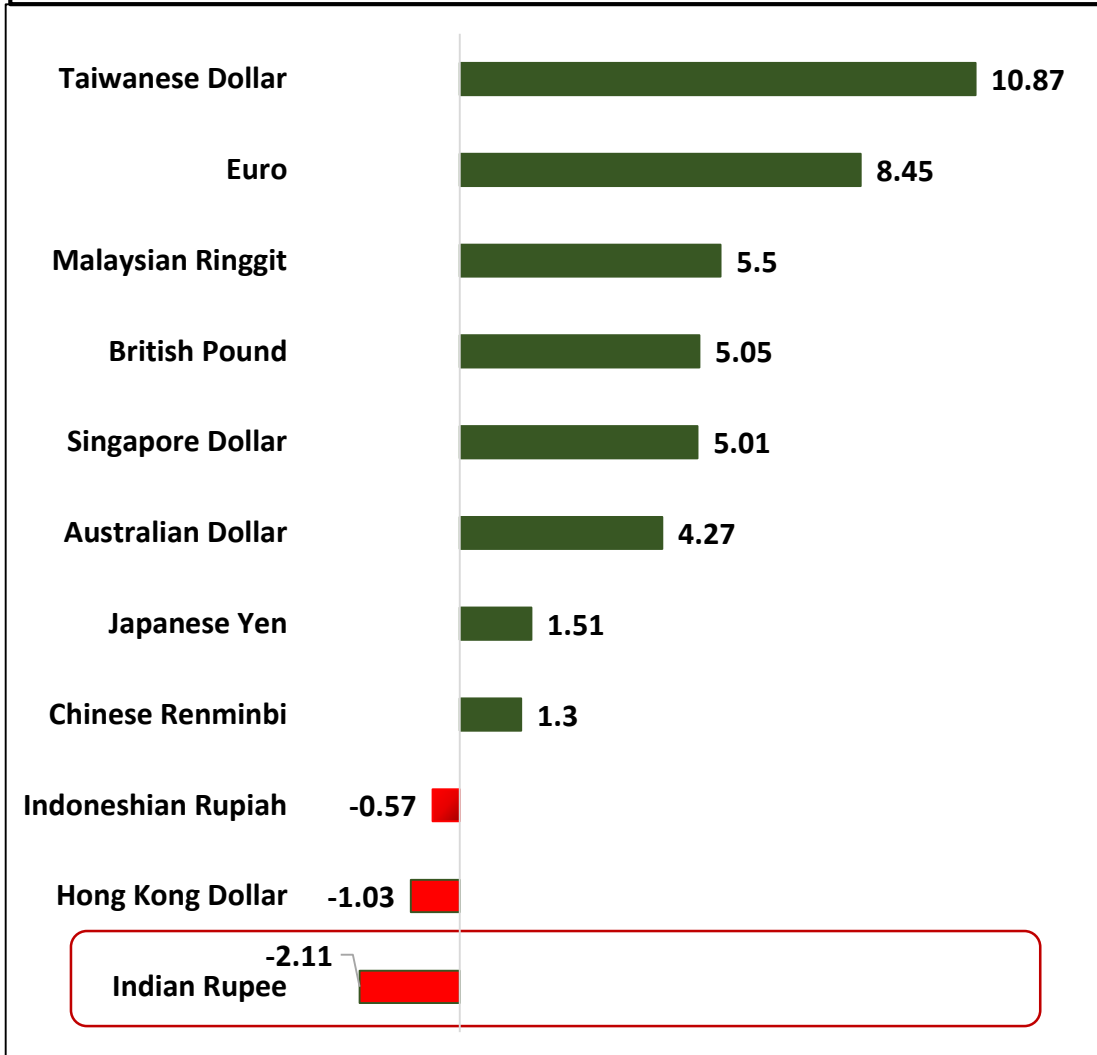


U.K. (10Y-2Y Spread)

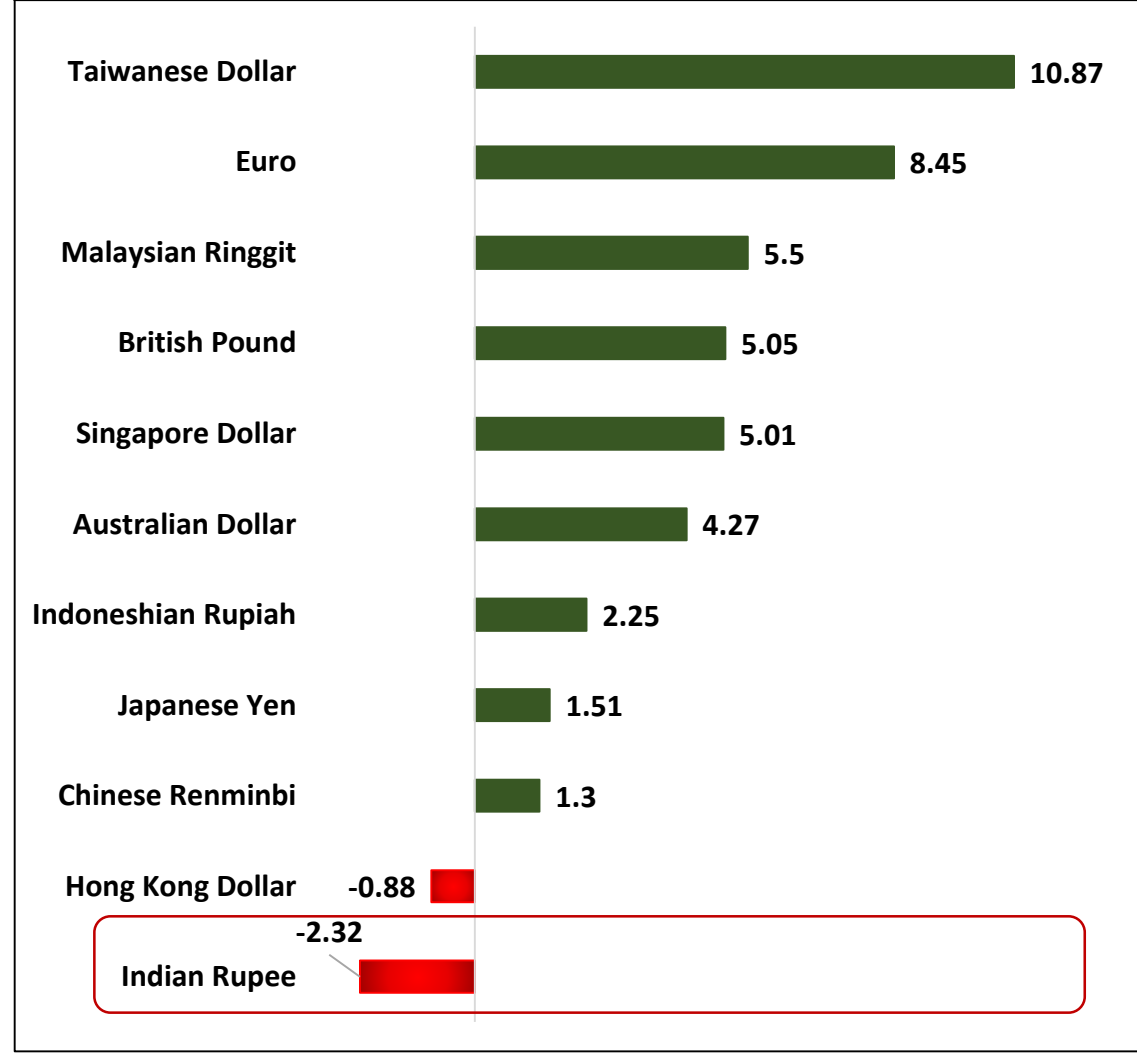


Rupee has clocked weakest FX performance vs peers despite Dollar weakness

Percentage FX return since 01st Jan'25

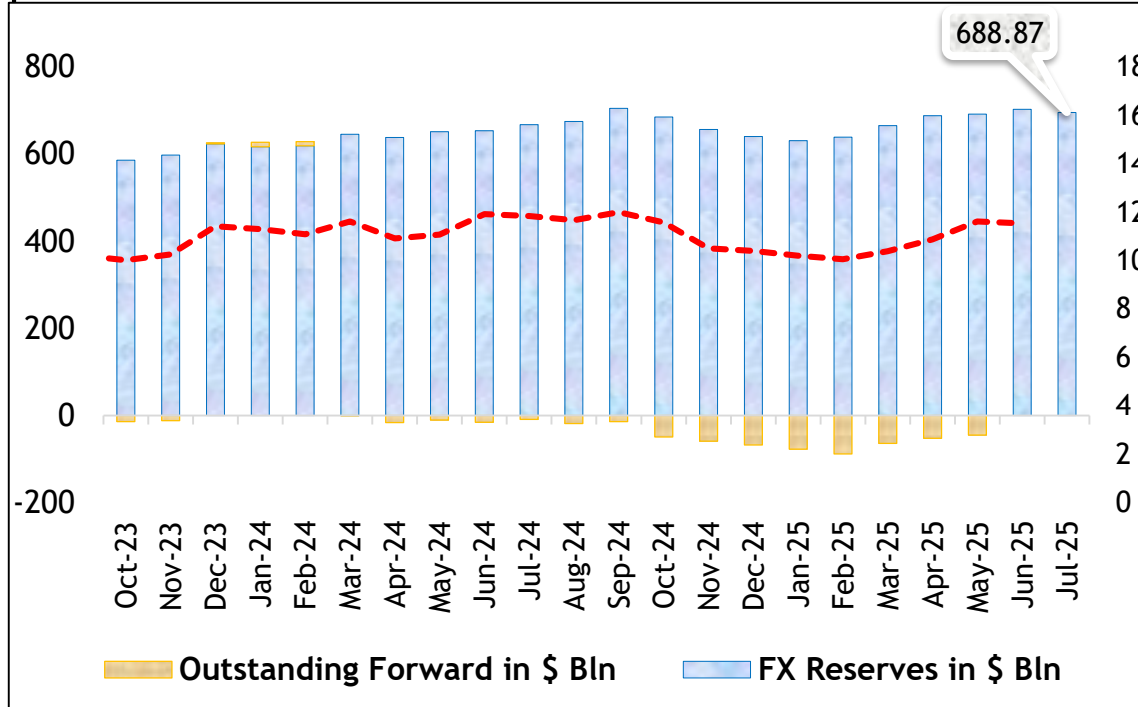


Percentage FX return since 01st Apr'25

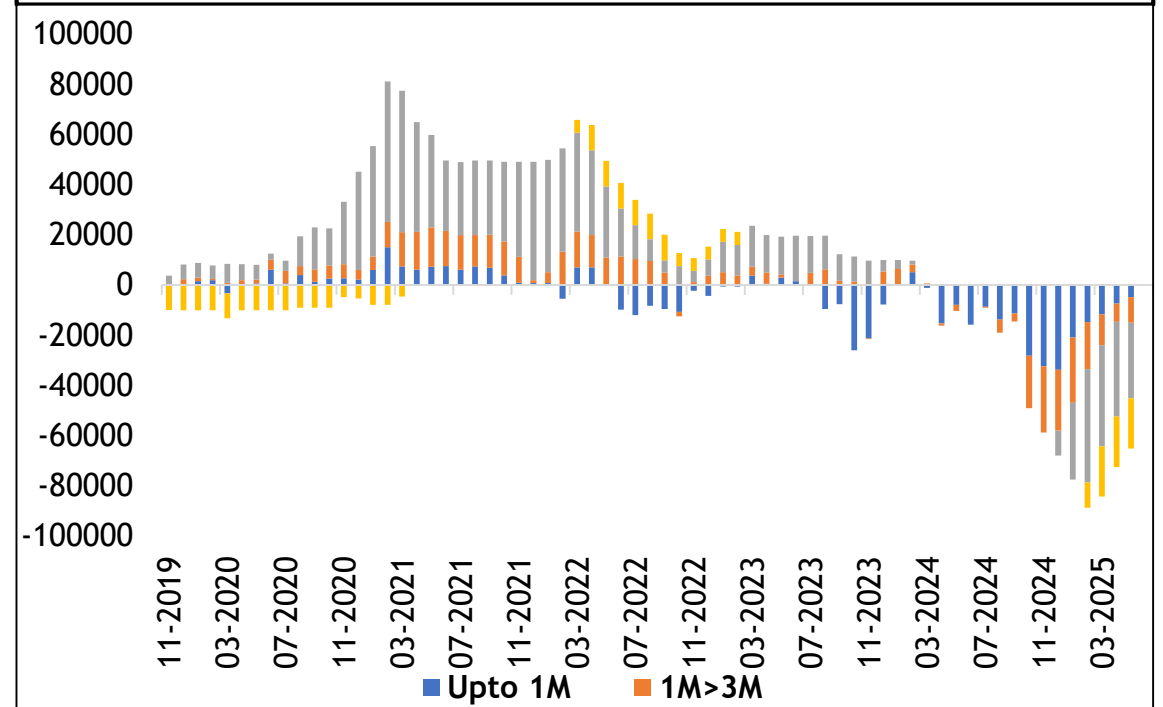


RBI is actively optimizing FX Reserves while gradually unwinding its forward book to maintain external sector stability

FX reserves decline persisted, largely driven by a continued fall in foreign currency assets.



RBI trims forward book, easing rupee depreciation pressures amid external uncertainties



- FX Reserve declined to reach of \$688.87bln as on 01th Aug'25 vis-a-vis record high of \$704.86bln reached on 27th Sep'24. Import cover remains elevated at more than 11 months.
- Latest RBI SDDS data shows net outstanding short position in USD/INR forward declined from record highs to \$65.20bln at the end of May'25.

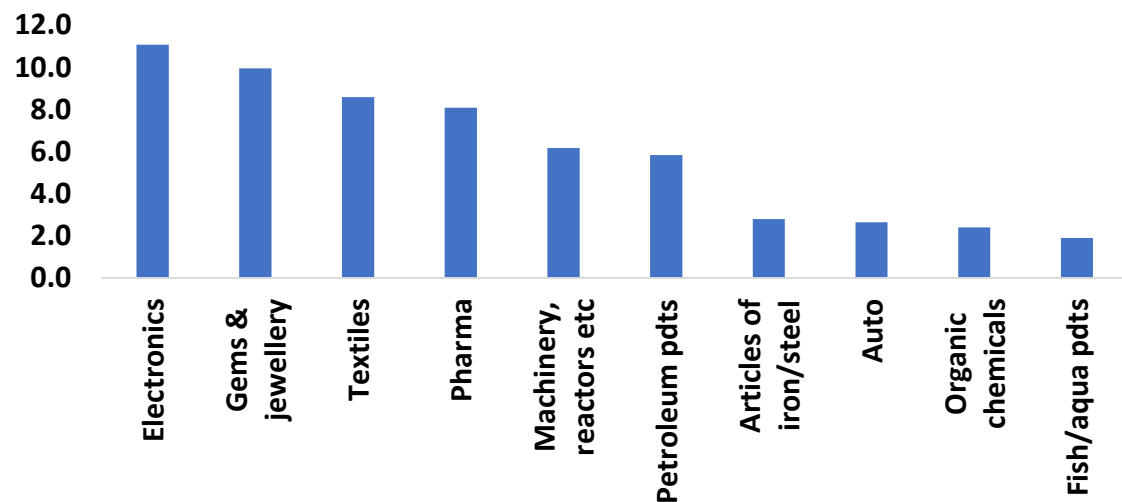
How India positions itself in the new world order will be key to decide macro impact

What is stalling US-India trade deal?

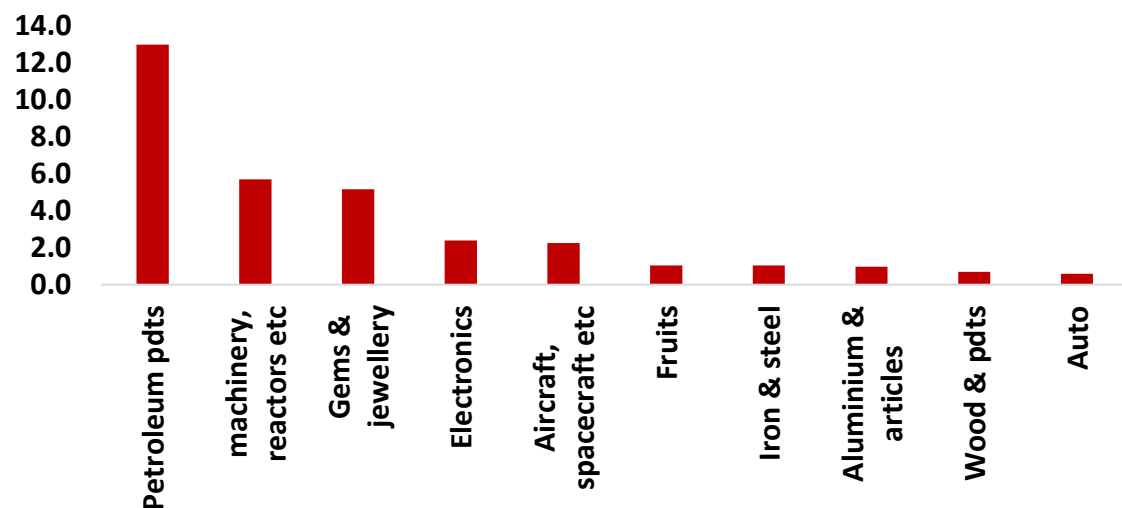
Issue	U.S. Position	India's Position
New U.S. tariffs tied to Russia oil (“50%” total on India)	Using tariffs as leverage: a 25% baseline on India plus an additional 25% linked to purchases of Russian crude; aims to pressure compliance with the G7 price-cap and curb the “dark fleet.”	Seeks exemptions/rollback; argues purchases support energy security and (largely) respect the G7 price cap; rejects secondary pressure as extraterritorial.
Section 232 metals tariffs	Doubled to 50% on covered steel & aluminum from June 4, 2025; limited carve-outs (e.g., UK under a separate arrangement).	Wants relief or exclusion; says 232 measures are protectionist and hurt downstream trade/investment.
Agriculture market access	Pushes “science- and risk-based” SPS rules and faster market access for priority products.	Willing to keep working but prioritizes domestic standards; gradual openings item-by-item.
E-commerce & FDI rules	Seeks flexibility for U.S. platforms/retailers.	Allows 100% FDI only in marketplace model; bans inventory-based e-commerce for foreign entities.
Cross-border data flows / digital trade	Wants rules that allow data to move with strong privacy safeguards.	Implementing the DPDP Act, 2023; draft rules (2025) outline conditions for outbound transfers still being finalized.
Mobility/visas & totalization	Discussing a Social Security totalization pact; acknowledges visa processing issues but no deal yet.	Prioritizes faster visas and a totalization agreement to lower payroll costs for Indian firms/workers in the U.S.

India-US trade and flow relations are significant

India's key exports to US (*USD bn)



India's key imports from US (* USD bn)



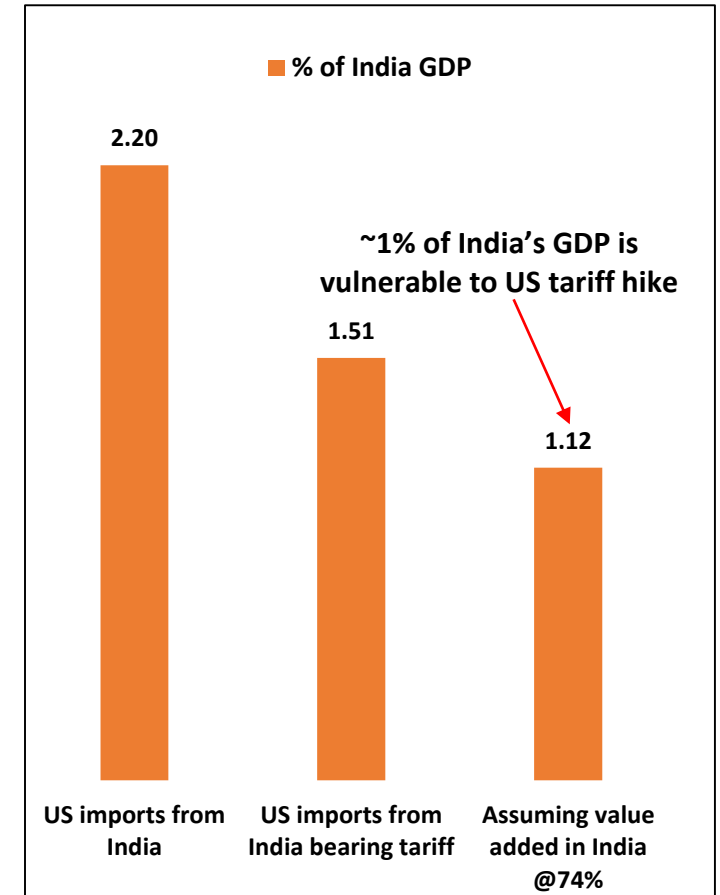
Services exports and remittances may come under pressure given high US dependence

India-US economic relations			
	Unit	FY19	FY25
Merchandise trade			
India exports to US	USD bn	52	87
% share in total	%	16	20
India's total exports	USD bn	330	437
India imports from US	USD bn	35	45
% share in total	%	7	6
India's total imports	USD bn	514	720
India's trade balance with US	USD bn	17	41
Software Services exports			
India exports to US*	USD bn	72	103
% share in total*	%	61	54
Remittances			
% share in total*	%	22.9	27.7
FDI flows			
India gross FDI from US	USD bn	3	5

*Latest numbers are as of FY 24 Source: CEIC, RBI and UBI research







We estimate the impact of 25% US tariff hike at ~30bps on India's GDP growth with ~\$10-12bn hit seen via exports channel

Sector	US Imports from India	Imports exempted from tariffs	Net US Imports from India	Assuming 74% value added in India on US imports	Decline in US imports due to tariff sensitivity	% to India Nominal GDP
Textiles	12.04	0.00	12.04	8.91	2.23	0.05
Gems and jewelry	11.89	0.02	11.87	8.78	2.20	0.05
Machinery	8.33	0.09	8.24	6.10	1.52	0.04
Others	8.54	0.33	8.22	6.08	1.52	0.04
Agri	6.04	0.00	6.04	4.47	1.12	0.03
Electronics	14.40	8.98	5.41	4.01	1.00	0.02
Metals	5.41	0.43	4.97	3.68	0.92	0.02
Chemicals	5.82	2.78	3.04	2.25	0.56	0.01
Auto	2.80	0.00	2.80	2.08	0.52	0.01
Pharma	12.73	12.71	0.01	0.01	0.00	0.00
Energy	3.23	3.23	0.00	0.00	0.00	0.00
Total	91.23	28.58	62.66	46.37	11.59	0.27



Impact on GDP growth may be cushioned via lower oil prices and Rupee depreciation

Mixed impact from various channels working together: global growth, oil price and FX

	Annual growth impact	Annual inflation impact
Global growth slows down by 100 bps	(-) 30 bps 	(-)15 bps 
Oil prices move down by 10%	(+) 15 bps 	(-) 30 bps 
Rupee depreciates by 5%	(+) 25 bps 	(+) 35 bps 

- *Various channels of impact working together : Global growth (-ve), flows (-ve), sentiment (-ve), oil (+ve), services exports (+ve)*
- *Our key concern remains that broad based private capex recovery may be delayed further*
- *It is too early to anticipate a fiscal policy response. We compliment the MPC for frontloading easing (both rates and liquidity) and shifting to 'neutral' stance to retain policy flexibility in a volatile world. We see status quo in August MPC*
- *Outflows from Indian equities and portfolio investments, combined with robust import demand, and weakening Rupee may not bode well for BoP and FX dynamics in FY26*

India's oil import discounts from Russia have dropped in recent years, thereby reducing vulnerability of shift, if any, needed

Period	Implied oil import price (\$/bbl)	India's oil imports (\$ bn)	Russia's share in oil imports (%)	Implied price of oil import from Russia (\$/bbl)	Discount level (\$/bbl)
FY19	69.9	114.0	1.0%	73.8	-3.9
FY20	64.6	102.7	1.7%	68.5	-3.9
FY21	43.9	59.5	1.6%	47.5	-3.6
FY22	77.2	122.4	2.0%	79.4	-2.2
FY23	95.1	161.4	19.2%	84.7	10.4**
FY24	83.5	139.3	33.4%	77.7	5.8
FY25	81.2	143.1	35.1%	79.7	1.5
FYTD26*	75.7	28.4	32.3%	72.3	3.4

*April-May, **while some media sources/anecdotes flagged oil price discount at ~33% during the year, our estimates using (official) trade data signal a lower number; Source: Commerce ministry & UBI research

Sectoral impact: key affected (manufacturing) sub-sectors

Indian exports to US: Sectoral impact of Trump tariffs							
Product group	Exports to US (\$ bn, FY25)	US share in India's exports (%)	US MFN tariff (%)	New Trump tariff (%)	Total tariff payable (%)	Top suppliers (Share %, Tariff %)	Impact on India
Shrimps	2	32.4	0	25	25	Canada (16.16, 35), Chile (15.02, 10), India (9.52, 25+ penalty)*	High
Organic chemicals	2.7	13.2	4	25	29	Ireland (36.11, 15), China (12.58, 30), Switzerland (6.46, 39), India (5.11, 25+ penalty)	High
Apparel: knitted	2.7	34.5	13.9	25	38.9	China (22.45, 30), Vietnam (17.99, 20), Cambodia (5.90, 18), India (5.09, 25+ penalty)	High
Apparel: woven	2.7	32.2	10.3	25	35.3	China (21.36, 30), Vietnam (18.73, 20), Bangladesh (13.15, 18)	High
Diamonds, gold & products	10	40	2.1	25	27.1	Switzerland (17.02, 39), India (13.63, 25+ penalty), Canada (10.44, 35)	High
Steel, aluminium, copper	4.7	16.6	1.7	50	51.7	China (25.02, 30), Mexico (13.95, 25), Canada (10.35, 35), India (6.69, 25+ penalty)	High
Machinery & mechanical appliances	6.7	20	1.3	25	26.3	Mexico (19.92, 25), China (16.03, 30), Taiwan (10.0, 15), India (6.79, 25+ penalty)	High
Vehicles & parts	2.6	11.4	1	25	26	Mexico (35.06, 25), Japan (13.10, 15), Canada & parts (12.97, 35), India (0.72, 25+ penalty)	High
Furniture, bedding, mattresses	1.1	44.8	2.3	25	27.3	China (28.82, 30), Vietnam (20.65, 20), Mexico (17.65, 25), India (1.93, 25+ penalty)	High
Carpets	1.2	58.6	2.9	25	27.9	India (35.48, 25+ penalty), Turkey (24.23, 10), China (12.88, 30)	Medium
Textiles, made-up	3	48.4	9	25	34	China (51.78, 30), India (17.14, 25+ penalty), Pakistan (8.70, 17)	Medium
Smartphones	10.6	43.9	0	0	0	China (81, 30), India (13.7, 25+ penalty), Vietnam (4.2, 20)	Low
Pharmaceuticals	9.8	39.8	0	0	0	Ireland (23.66, 15), Switzerland (8.94, 39), Germany (8.10, 15), India (5.98, 25+ penalty)	Low
Petroleum products	4.1	4.3	6.9	0	6.9	Canada (52.16, 35), Mexico (6.71, 25), Saudi Arabia (4.26, 10), India (1.29, 25+ penalty)	Low
Total goods exports	86.5	19.8					

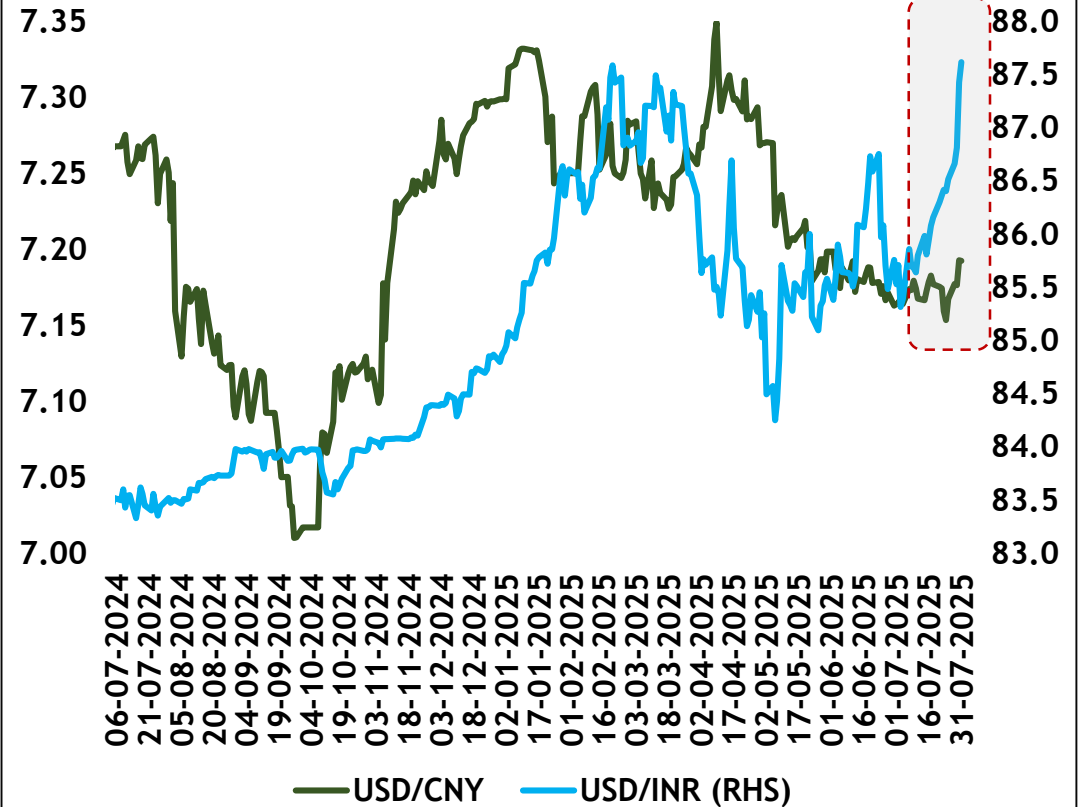
* Penalty of additional 25% on India to be implemented by 27th August unless trade deal stalemate breaks before the same Source: GTRI & UBI research

Import dependence on China surged across key sectors following the pandemic

% share of India's imports from China

	2018-19	2023-24	2024-25
AUTO COMPONENTS/PARTS	22.88	23.4	26.6
COMPUTER HARDWARE, PERIPHERALS	44.69	52.9	49.46
ELECTRIC MACHINERY AND EQUIPME	26.7	27.7	30.11
ELECTRONICS COMPONENTS	36.9	35.33	37.94
IRON AND STEEL	11.3	14.24	13.69
ORGANIC CHEMICALS	25.19	29.92	29.6
PLASTIC RAW MATERIALS	11.78	19.61	22.73

Rupee move vis-à-vis CNY needs close watch



- China dumping across key sectors (electronics, metals, chemicals etc.) is the key channel of impact to watch
- The Indian government has imposed safeguard duties on sectors like steel, aluminum, chemicals etc. to protect from dumping effect

- **Financial Relief for MSMEs:** Banks may consider options including a waiver of administrative charges such as processing fees, forex hedging costs and collection charges to provide immediate relief to MSMEs. Apart from this, the government may consider providing credit guarantees in various forms like for MSMEs loans overdue by up to 90 days, 10-15% guarantee on loans given by banks to stressed small firms with turnover up to Rs 500 crore, classified under the RBI's SMA category & for term loans for small exporters etc. Govt. may consider reviving the Interest Equalisation Scheme, which was discontinued last year. It may be relaunched with an annual budget of Rs 15,000 crore and a five-year commitment.
- **Launching sector specific schemes for affected sectors:** Offering tailor-made schemes under the proposed Export Promotion Mission for the affected sectors, diversion of goods to other geographies, and identifying products with less export orders that could be diverted to meet the domestic demand. Apart from this, the RBI may consider launching sector specific credit lines with relaxed collateral and ways to enable low-cost export factoring access to relieve the credit pressure for these exporters.
- **Reforming Tourism as a Strategic Export:** Govt. needs to boost inbound tourism as a major source of export earnings and job creation. India earned only \$17 billion from foreign tourists in 2023, a figure far below its potential, which needs policy support.
- **Onboarding New Exporters:** Government should operationalize a National Trade Network to simplify the compliance and onboarding process for new exporters. A seamless system could bring over 200,000 new firms into the global trade ecosystem and help diversify India's export base, making it less dependent on any single market.

Thank You !

RESEARCH TEAM

KANIKA PASRICHA

SUNEESH K

NIDHI ARORA

RAJESH RANJAN

AMIT SRIVASTAVA

JOVANA LUKE GEORGE

DHIRAJ KUMAR



AKASH DEB

ROHIT YARMAL

SHREYAS BIDARKAR