

Trumponomics & its impact on India

March 2025

Banking & Economics Research Team

➤ From “US exceptionalism to un-exceptionalism” under Trump 2.0

- Trump’s flip-flops keeping markets and investors on tenterhooks
- The ‘R’ word has come back in picture; US macro forecasts have shifted with rising “recession” concerns
- *Economics is “not” driving politics; it’s the other way around in the Trump 2.0 world*
- Trade wars, fears of FX wars, recession worries likely to hit investment sentiment globally

➤ Trump 2.0: impact on India

- India may be cushioned vis-a-vis global peers given the size of trade balance with US, yet final impact contingent on the contours of trade deal between India and US
- Rupee has been the prime channel of impact; RBI taking steps to combat indirect impact on systemic liquidity
- Direct domestic macro impact via slower global growth may be partly offset by weak FX and lower oil prices
- Sectoral impact may be assessed on basis of 3 key themes: 1) key exports to US (*auto, gems & jewellery, steel, aluminium, pharma, textiles*); 2) risk of reciprocal tariff hikes / import substitution (*auto, steel, solar, food products*) and 3) commodity linked sectors (+ve for oil / energy while -ve for metals)
- *We must compliment the RBI and the government in working towards shifting the growth narrative for the Indian economy amid rising worries of global protectionism and recession in the US*

From “*US exceptionalism to un-exceptionalism*”
under Trump 2.0

How the world economy has shifted under Trump 2.0

World before Trump joined office



World after Trump joined office in Jan'25



- Trump had promised stronger economic growth, lower inflation and to Make America Great Again but since he joined the office there are talks of US recession, his flip flop on trade tariffs, weak economic indicator and high inflation

Trump's flip-flop keeping markets on tenterhooks

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Union Bank
of India
Good people to bank with

Trump called India the "tariff king" and criticized high tariffs on U.S. goods.



Praised PM Modi and promised to strengthened the ties

Trump announced 25% tariffs on all imports from Mexico and Canada, excluding energy products, which faced a 10% tariff.



Exempted goods compliant with the U.S.-Mexico-Canada Agreement (USMCA) from these tariffs until April 2, 2025

Trump signs executive order imposing 25% tariff on Canada and Mexico



Doubled Tariff on Canadian Metals Abruptly Called Off on March 12

Trump says India agreed to cut tariffs way down

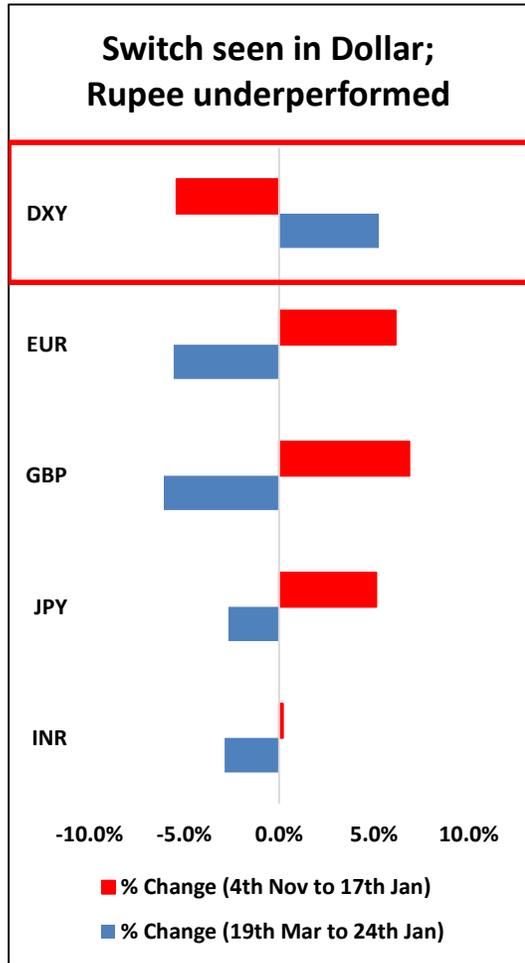


India Says "No Commitments" To Tariff Cuts After Trump's Tax Cut Claim

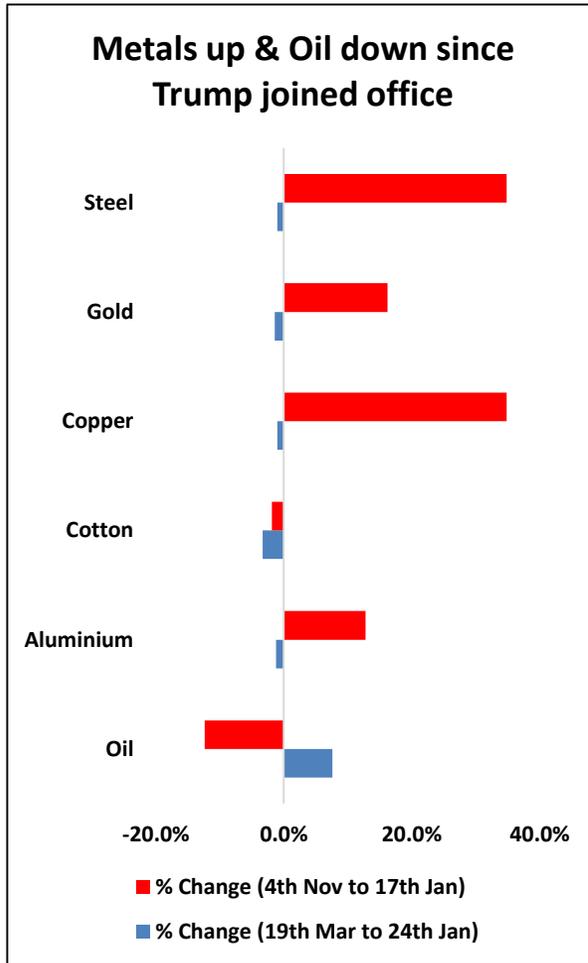
Trump's policies driving US exceptionalism to un-exceptionalism

(How market moves have turned volatile under Trump 2.0)

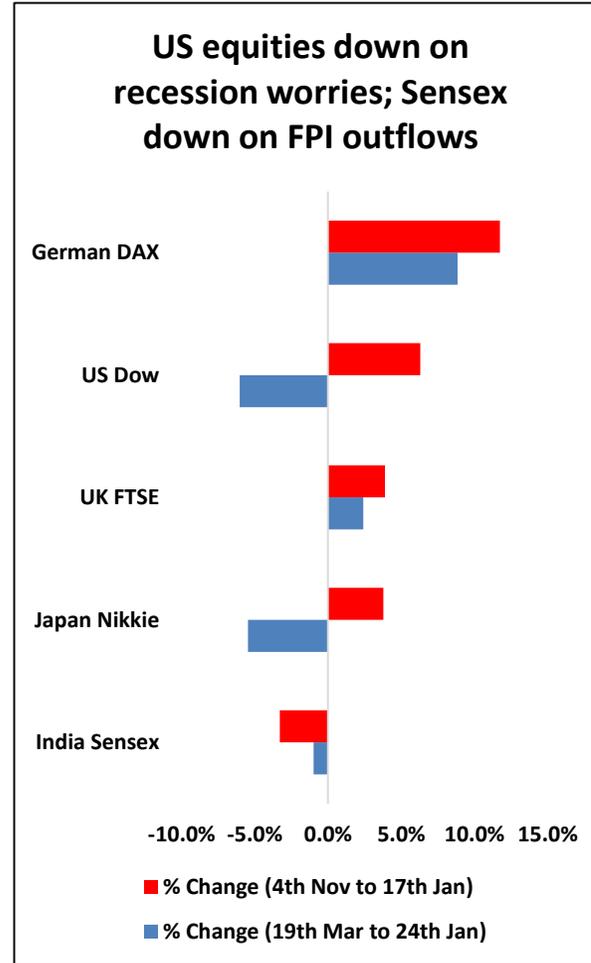
Currencies



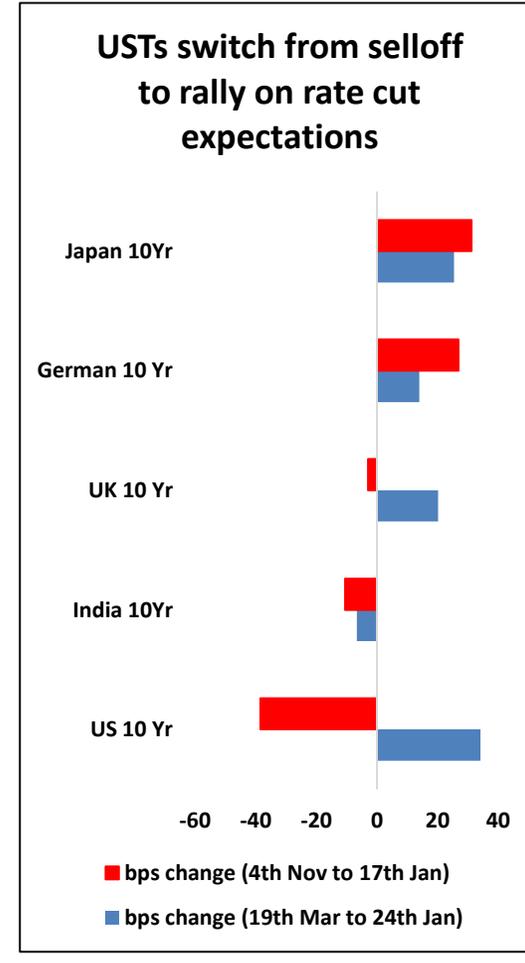
Commodities



Equities

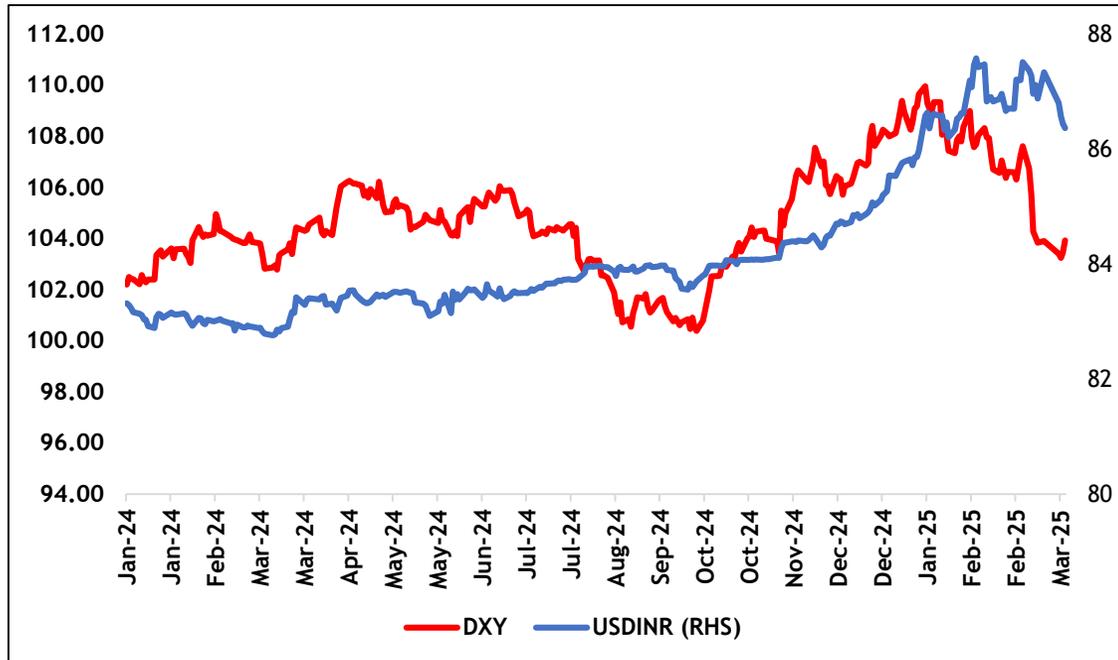


Bonds

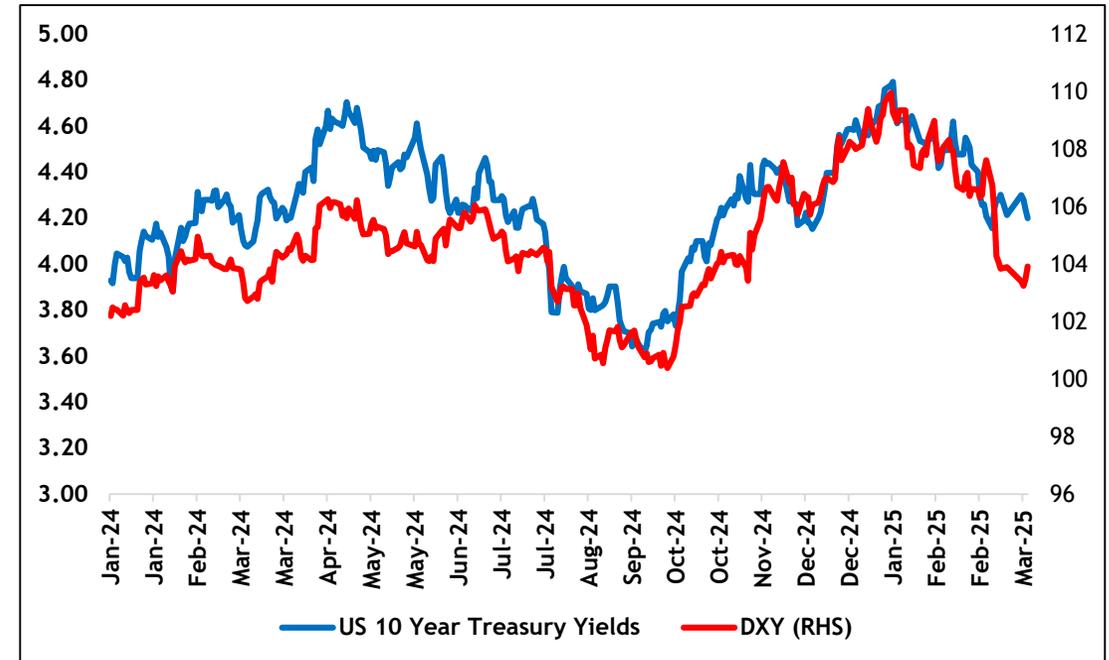


5th-6th November 2024: US Presidential election and result days; 20th January 2025: Trump joined office

The weakness in Indian rupee continues despite fall in DXY on backdrop of risk to US economic growth



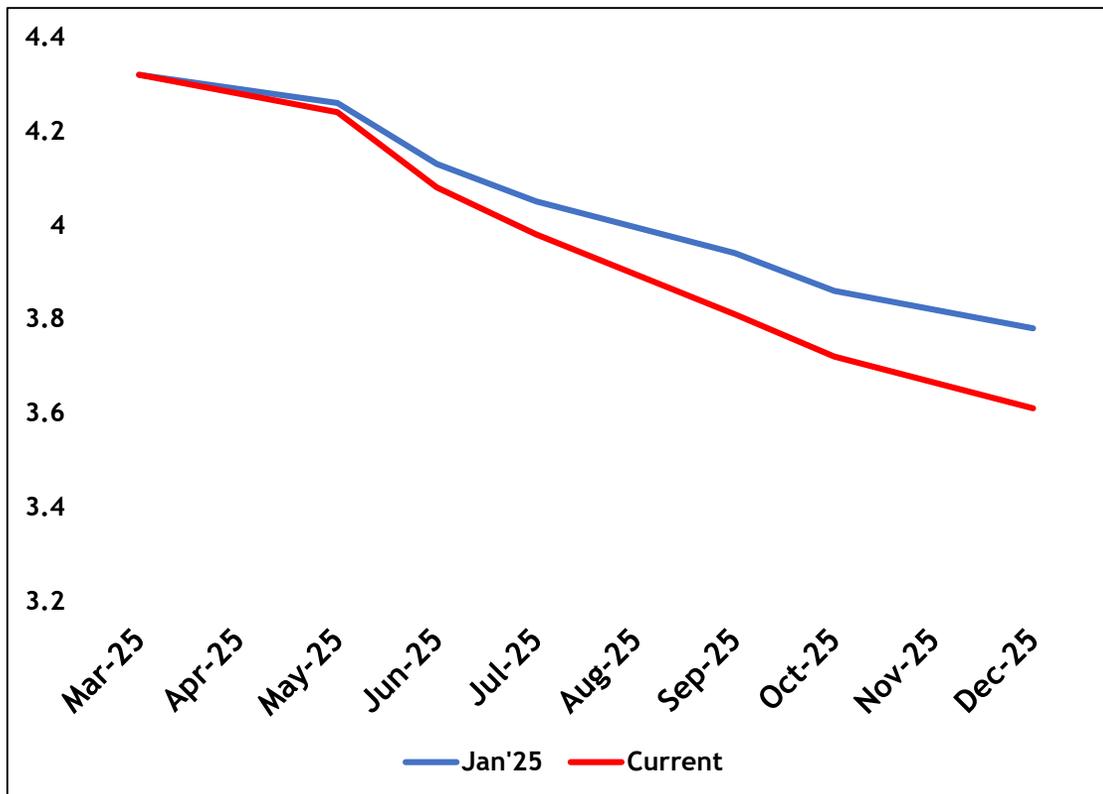
Investors sought safety in bonds, sending the US Treasury yield lower



- *Indian Rupee remains under pressure despite weakness in Dollar Index and has fallen c.2% this year.*
- *The US Treasury Secretary Scott Bessent stated that the Trump administration would focus not on cajoling the Fed into cutting rates but instead bringing down the 10-year US Treasury yield, while that has indeed happened very quickly this year.*

Rate cut expectation have increased due to weaker economic outlook

Current FED Rate cut probability till end of 2026



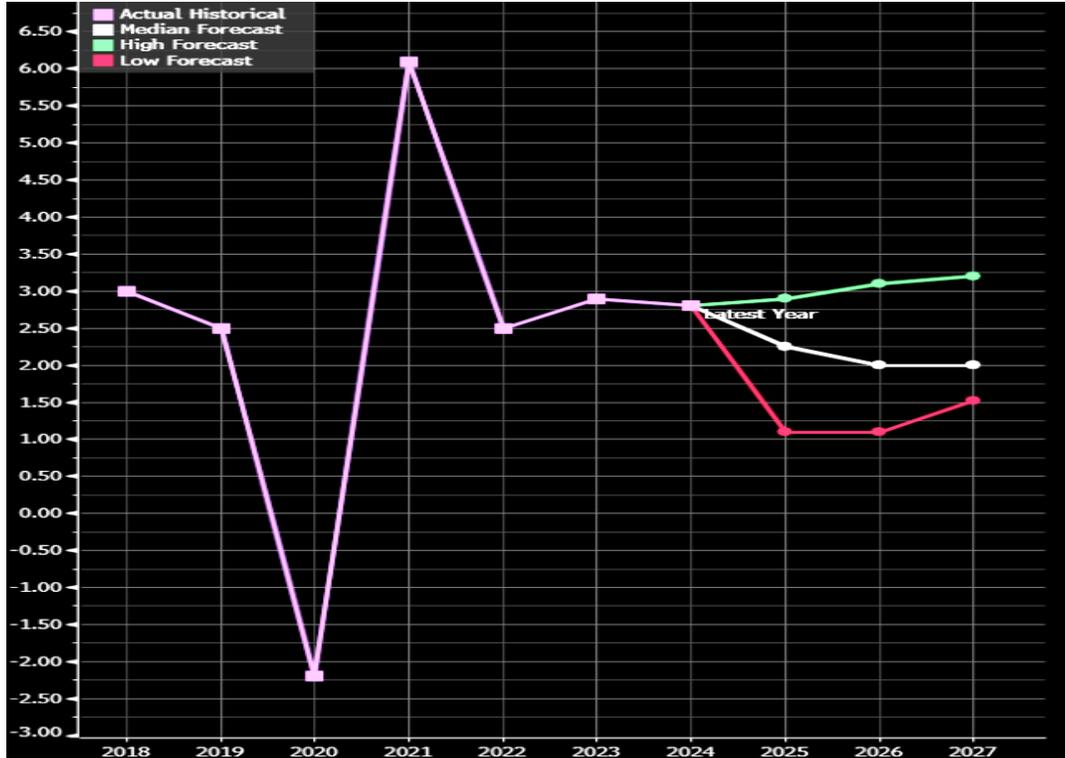
CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES											
MEETING DATE	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475
19/03/2025					0.0%	0.0%	0.0%	0.0%	3.0%	97.0%	0.0%
07/05/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	28.9%	70.3%	0.0%
18/06/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	20.8%	58.4%	20.2%	0.0%
30/07/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	8.5%	35.6%	43.4%	12.3%	0.0%
17/09/2025	0.0%	0.0%	0.0%	0.0%	0.2%	5.8%	26.8%	40.9%	22.4%	4.0%	0.0%
29/10/2025	0.0%	0.0%	0.0%	0.1%	2.2%	13.5%	31.9%	34.1%	15.7%	2.5%	0.0%
10/12/2025	0.0%	0.0%	0.0%	0.9%	6.8%	21.0%	32.8%	26.6%	10.3%	1.5%	0.0%
28/01/2026	0.0%	0.0%	0.1%	1.7%	8.7%	22.5%	32.0%	24.5%	9.2%	1.3%	0.0%
18/03/2026	0.0%	0.0%	0.5%	3.2%	11.6%	24.5%	30.4%	21.3%	7.5%	1.0%	0.0%
29/04/2026	0.0%	0.1%	0.7%	3.8%	12.5%	24.9%	29.8%	20.3%	7.1%	1.0%	0.0%
17/06/2026	0.0%	0.1%	1.0%	4.7%	13.8%	25.4%	28.8%	18.9%	6.4%	0.9%	0.0%
29/07/2026	0.0%	0.2%	1.3%	5.4%	14.7%	25.7%	28.0%	18.0%	6.0%	0.8%	0.0%
16/09/2026	0.0%	0.2%	1.2%	5.0%	13.7%	24.6%	27.8%	19.0%	7.2%	1.3%	0.1%
28/10/2026	0.0%	0.2%	1.1%	4.6%	13.0%	23.6%	27.5%	19.8%	8.3%	1.8%	0.2%
09/12/2026	0.2%	1.2%	4.9%	13.3%	23.7%	27.3%	19.4%	8.1%	1.8%	0.2%	0.0%

Current uncertainty due to trade tariffs and weak economic outlook have increased rate cut expectations to 75bps as compared to 25bps at the start of the year

US growth forecast has shifted downward with recession concerns rising

US growth forecast downgraded due to data like weak consumer spending, fall in business optimism and policy uncertainty of US administration

The FED Atlanta's GDPNow model has exhibited significant fluctuations in its projections for U.S. real GDP growth

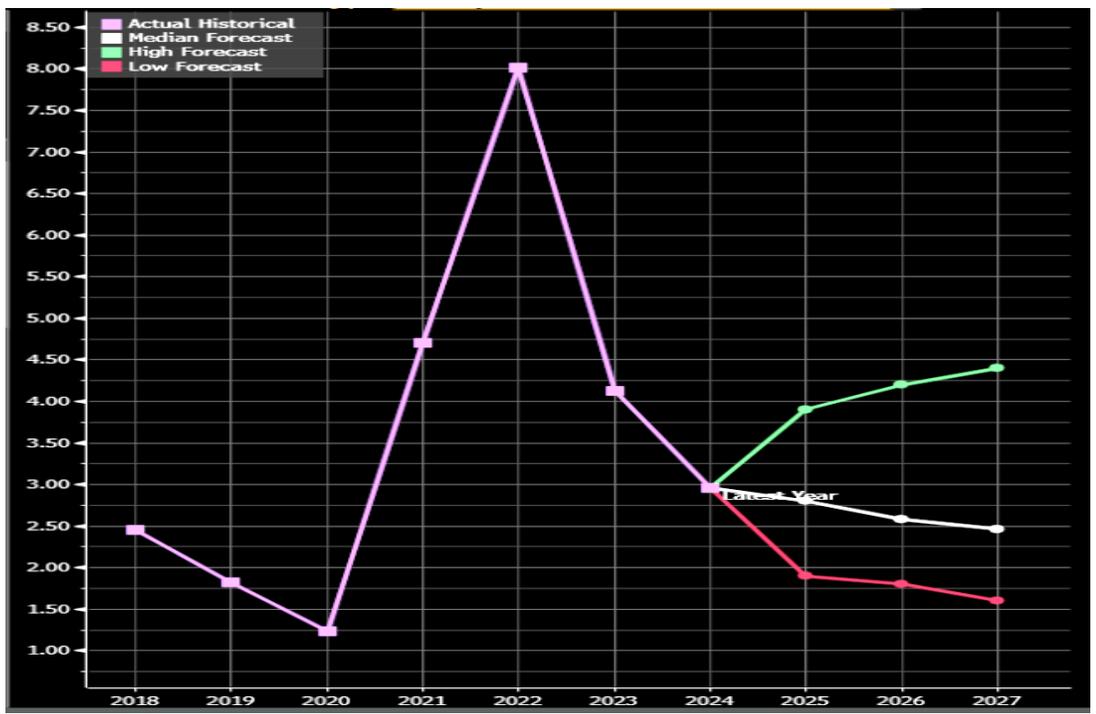


Date	GDPNow Estimate (%)
24 th Dec'24	3.3
29 th Jan'25	2.9
10 th Feb'25	2.9
28 th Feb'25	-1.5
03 rd Mar'25	-2.8
06 th Mar'25	-2.4

- The considerable downward revisions in early 2025, particularly from February onward, are largely attributed to a surge in imports ahead of anticipated tariffs, widening the trade deficit, and dampening GDP growth projection

There is growing concern about rebound in US inflation

5-year breakeven inflation rate has increased from 1.9% in September 2024 to 2.6% by February'25.



Month	1-Year Ahead Inflation Expectation (%)
August 2024	2.8
September 2024	2.7
October 2024	2.7
November 2024	2.6
December 2024	2.8
January 2025	3.3
February 2025	4.3

- Bloomberg consensus forecast shows inflation on upper bound to tough 4.3% this year while lower bound is of 1.75%*
- These figures from University of Michigan's Surveys indicate a notable increase inflation expectations among consumers, with the year-ahead inflation expectation reaching the highest level in February 2025 significantly above the Fed target of 2%.*

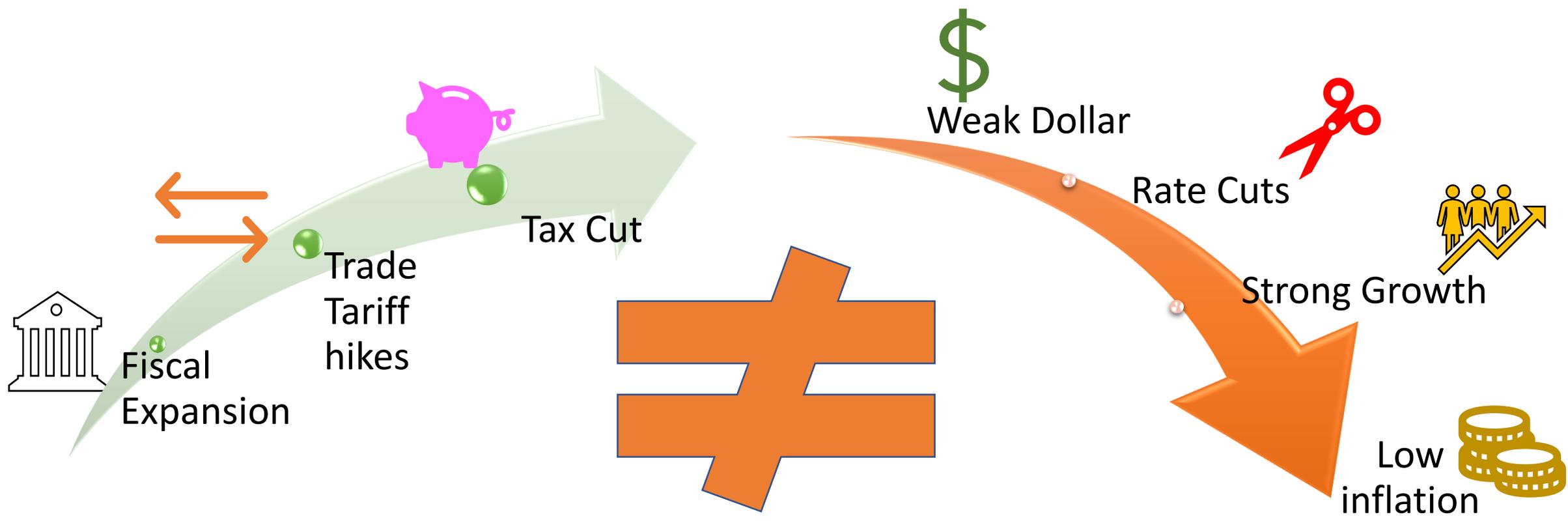
Is it showing sign of recession?

US Indicators Heatmap	March'23	April'23	May'23	June'23	July'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24	March'24	April'24	May'24	June'24	July'24	Aug'24	Sep'24	Oct'24	Nov'24	Dec'24	Jan'25	Feb'25	
Business Activity																									
ISM Services	Red	Orange	Red	Yellow	Yellow	Green	Green	Orange	Yellow	Red	Yellow	Yellow	Orange	Red	Green	Red	Orange	Orange	Green	Green	Yellow	Green	Green	Yellow	Yellow
ISM Manufacturing	Red	Yellow	Yellow	Red	Red	Green	Green	Orange	Orange	Yellow	Yellow	Orange	Green	Green	Yellow	Yellow	Red	Orange	Orange	Red	Yellow	Yellow	Green	Green	Yellow
Industrial Production YoY	Green	Yellow	Yellow	Red	Orange	Yellow	Yellow	Red	Orange	Green	Yellow	Yellow	Orange	Orange	Yellow	Green	Orange	Yellow	Orange	Red	Yellow	Yellow	Green	Green	Yellow
NFIB Small Business Optimism	Yellow	Red	Orange	Yellow	Green	Green	Orange	Orange	Red	Orange	Orange	Red	Orange	Orange	Orange	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green
Labour Market Data																									
Average Hourly Earnings YoY	Red	Green	Red	Green	Green	Green	Green	Red	Red	Red	Green	Green	Yellow	Orange	Yellow	Red	Red	Orange	Yellow	Yellow	Yellow	Yellow	Yellow	Orange	Yellow
Nonfarm Payrolls	Red	Yellow	Yellow	Orange	Orange	Orange	Green	Red	Yellow	Green	Green	Green	Orange	Yellow	Yellow	Red	Red	Green	Red	Green	Green	Green	Orange	Orange	Yellow
Unemployment Rate	Orange	Red	Green	Green	Red	Green	Green	Green	Orange	Orange	Red	Yellow	Orange	Yellow	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Orange	Yellow
Housing Market Performance																									
Building Permits	Yellow	Orange	Green	Yellow	Red	Green	Orange	Yellow	Orange	Yellow	Green	Green	Orange	Red	Orange	Red	Yellow	Orange	Orange	Green	Green	Yellow	Green	Yellow	Yellow
New Home Sales	Orange	Green	Green	Yellow	Yellow	Green	Orange	Green	Red	Orange	Yellow	Orange	Orange	Green	Yellow	Yellow	Green	Green	Green	Red	Yellow	Green	Green	Orange	Yellow
Existing Home Sales	Green	Green	Green	Orange	Green	Green	Yellow	Yellow	Orange	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Green	Green	Green	Yellow
Pending Home Sales YoY	Red	Yellow	Orange	Green	Orange	Red	Orange	Yellow	Green	Green	Red	Orange	Green	Orange	Orange	Yellow	Red	Yellow	Green	Green	Green	Green	Green	Orange	Yellow
Inflation Trends																									
CPI YoY	Red	Orange	Red	Red	Red	Yellow	Yellow	Red	Red	Yellow	Orange	Red	Green	Yellow	Yellow	Orange	Red	Red	Red	Red	Red	Orange	Orange	Orange	Orange
Core CPI YoY	Green	Yellow	Yellow	Green	Green	Green	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Yellow							
PCE	Green	Orange	Red	Orange	Green	Green	Green	Yellow	Red	Yellow	Orange	Yellow	Yellow	Yellow	Yellow	Orange	Orange	Yellow							
Core PCE	Green	Green	Red	Green	Green	Green	Yellow	Orange	Red	Green	Yellow	Green	Yellow	Yellow	Red	Green	Green	Orange	Orange	Yellow	Yellow	Yellow	Green	Red	Yellow
Consumer Sentiment																									
Michigan Consumer Sentiment	Green	Yellow	Red	Yellow	Green	Green	Yellow	Orange	Red	Yellow	Green	Yellow	Green	Yellow	Red	Red	Red	Red	Yellow	Red	Yellow	Green	Orange	Green	Yellow
Retail Sales YoY	Green	Red	Yellow	Orange	Orange	Orange	Green	Red	Yellow	Green	Red	Orange	Green	Yellow	Yellow	Orange	Yellow	Orange	Red	Yellow	Green	Green	Green	Yellow	Yellow
Auto Sales YoY	Orange	Green	Yellow	Green	Green	Red	Yellow	Orange	Orange	Green	Red	Yellow	Orange	Yellow	Yellow	Red	Yellow	Green	Yellow	Green	Green	Green	Green	Red	Orange

• *The recent economic data have been weaker due to uncertain Trump's economic policy and his flip flop on trade tariffs*

Trump's key poll promises

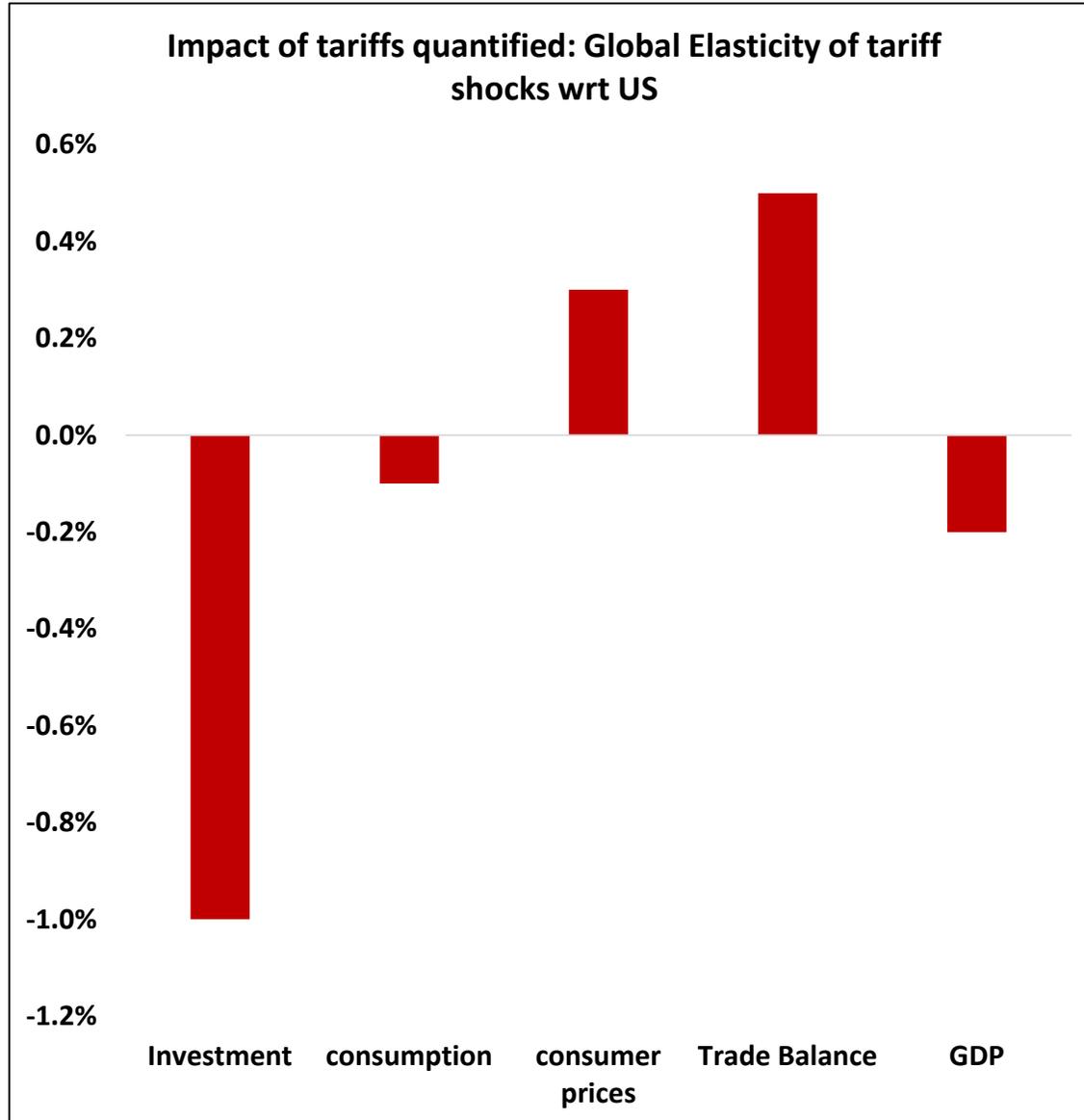
Economically contrarian poll promises



- The US Treasury Secretary Scott Bessent has acknowledged some sign of weakness in US economy and stated that there's going to be a detox period while Trump has stated that there is a period of transition, because what we're doing is very big.
- Trump 2.0 was supposed to be about Make America Great Again while trade tariffs were supposing to boost US manufacturing, protect jobs and raise tax revenue and thus boost the economy. But the way Trump has handled the trade tariffs it has rather created uncertainty among the market participant which has led to lower growth forecast weakness in US Dollar.

Trump 2.0: Trade tariff and retaliation measures announced so far

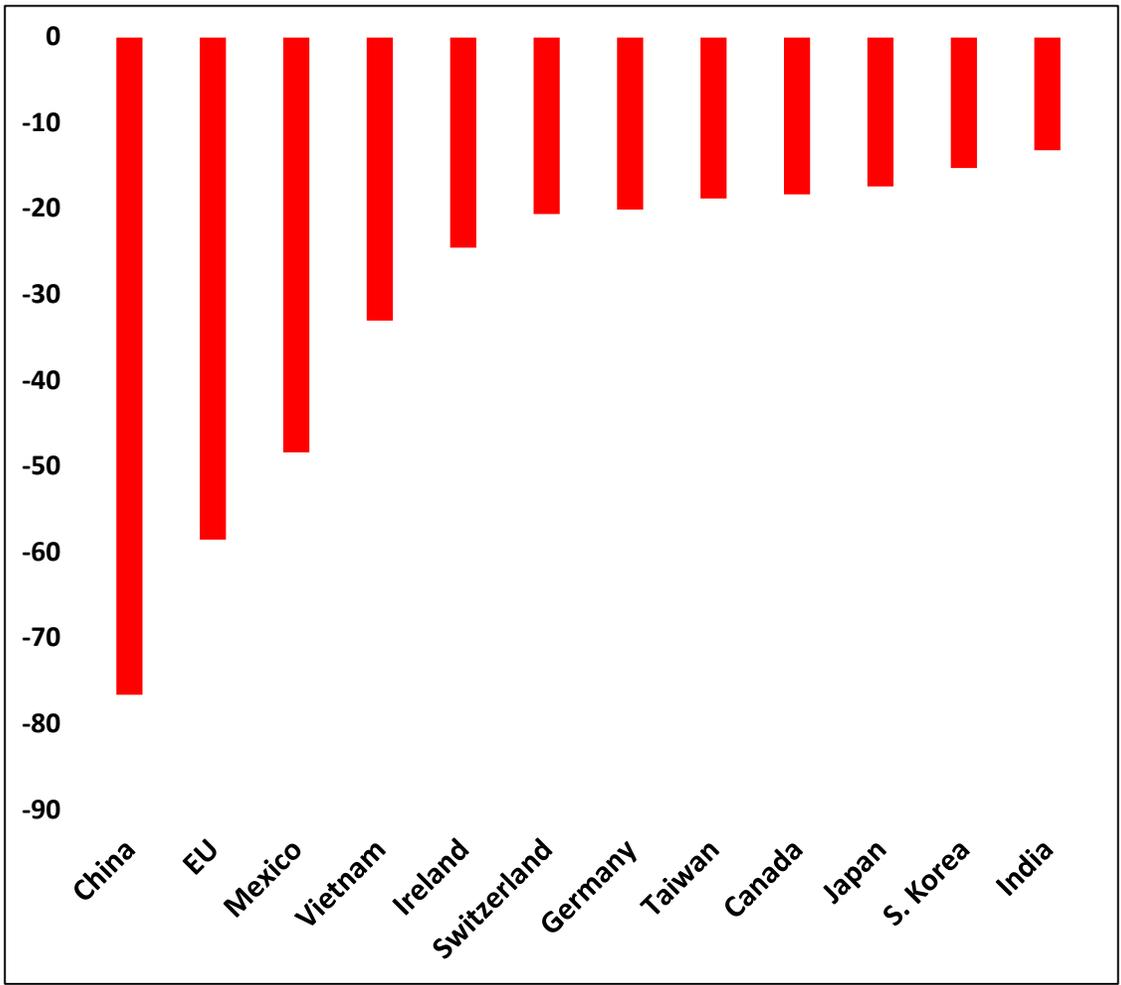
Country	Effective Date	Announcement on Tariffs
China	Feb & Mar'25	1) 25% on Capital equipment and Intermediate Inputs , 7.5% consumer goods 2) 10% additional tariffs on top of 10% tariff in February and tariffs already implemented in 2018 and 2019, many of which are as high as 25%
	Retaliation	a) A 15% tariff on US LNG imports, coal and coke; a 10% tariff on crude oil and agricultural equipment. Export controls on four rare earth metals
Mexico	Feb'25 April'25	1) 25% tariffs on all goods - Postponed on USMCA goods 2) 11% tariffs on all goods from April'25
	Retaliation	a) 25% tariffs on steel and aluminum postpone until April 2
Canada	Feb'25	1) 25% tariffs on all goods; A lower 10% rate on Canadian energy or energy resources - Postponed on USMCA goods.
	Retaliation	a) Canada also announced tariffs on US\$21 bn of American goods (targeting US-made steel and aluminium as well as other consumer products)
European Union	April'25	1) 25% tariffs on steel and aluminium from EU nations
	Retaliation	a) The EU on 12 Mar retaliated, with plans to impose its own tariffs on EUR 26 bn (\$28.3 billion) worth of American goods (including US steel and aluminium products, textiles, agricultural products and home appliances).



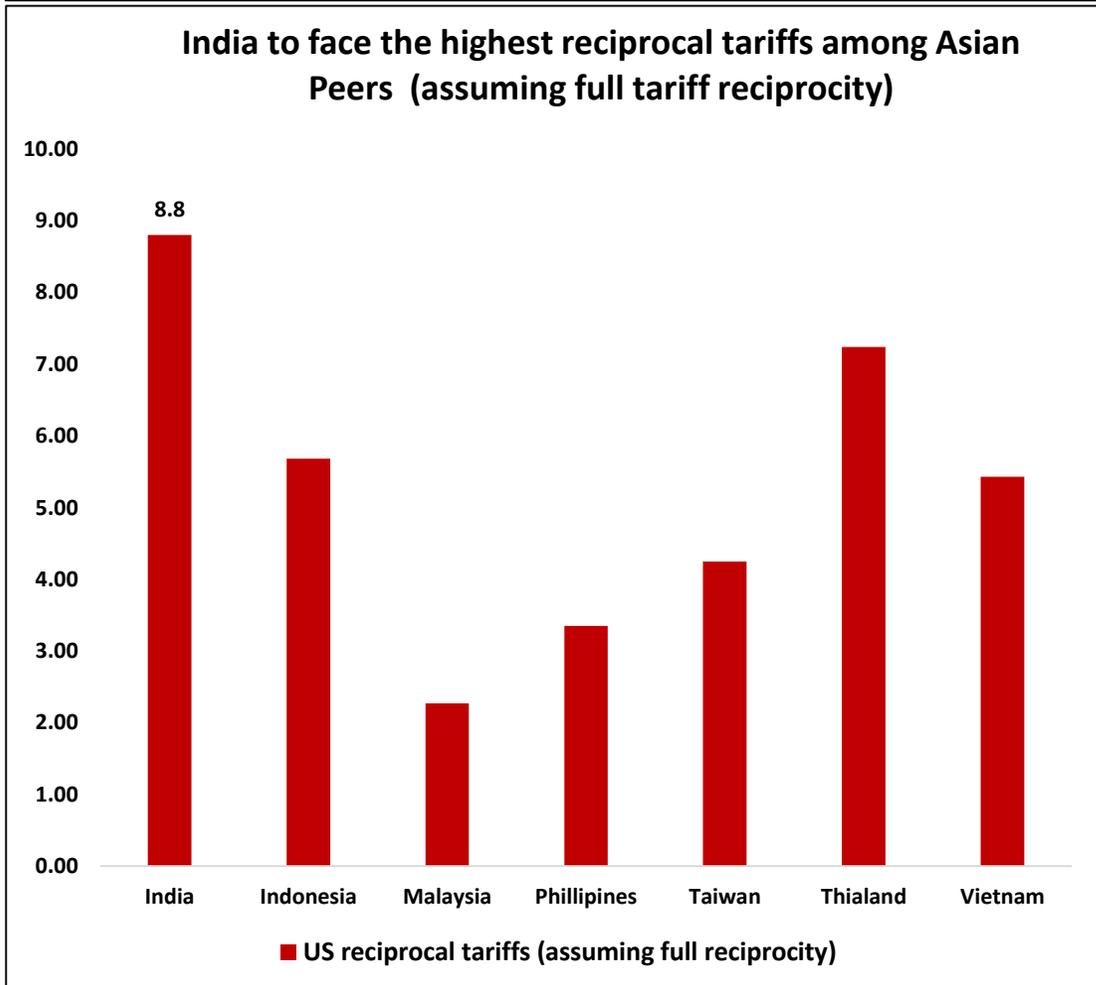
- [IMF research](#) shows that the elasticity of tariff shocks is highest for investment GDP given the adverse impact on investor sentiment
- Interestingly, another [research paper](#) showed that the impact of tariff impositions would adversely affect the country imposing the tariffs rather than the country on which it is imposed.
- Any increase in tariff would increase the prices of intermediate inputs, which would result in increased cost of production. Cost of production would be partially absorbed by the producers hence resulting in lower profit margins.
- However, the rate of pass-through of tariff price would depend on the elasticity of demand for the sector, thereby determining the burden of price-rise.

India appears relatively cushioned vis-à-vis global peers given size of trade surplus with US yet reciprocal tariff hikes on watch

China/EU/Mexico likely worst affected; India may be relatively cushioned. Trade balance with US (2024)



India faces the largest tariff gap vis-à-vis Asian peers, yet the extent of reciprocal hikes on watch



Trump 2.0: Impact on India

Emerging challenges

Global growth uncertainty to adversely affect India's growth

Reduced export revenues could lead to INR depreciation making imports more expensive leading to high inflation

Foreign fund outflows have persisted; totaling \$28bn since end Sep-2024

China dumping issues may flare-up, affecting our macros

Impact due to reciprocal tariff on pharmaceuticals, textiles, IT services, gems & jewellery, and automobiles.

Strategic opportunities

India to collaborate with China under 'China+ 1' strategy

Timely discussions with global leaders to conclude Trade agreements

Trump has supported military cooperation with India, may benefit India's defence sector

Possibility if lower oil prices under Trump 2.0 may have a salutary effect

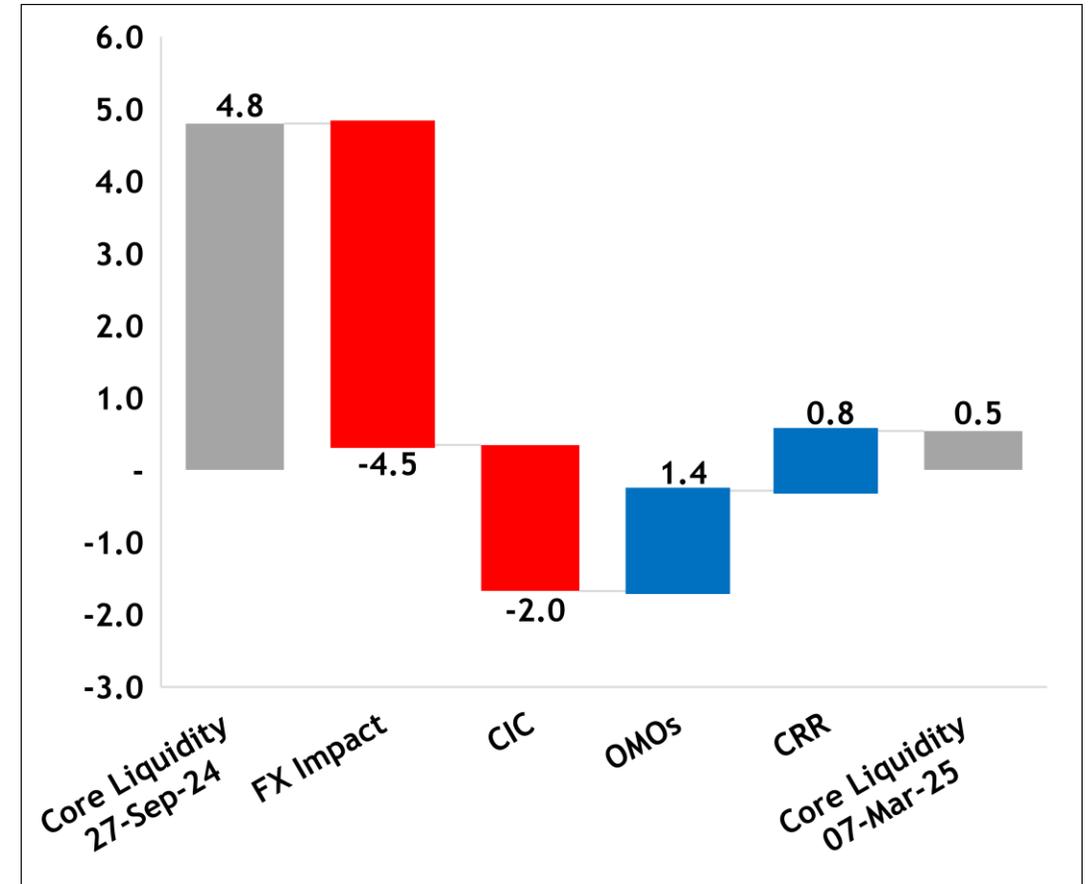
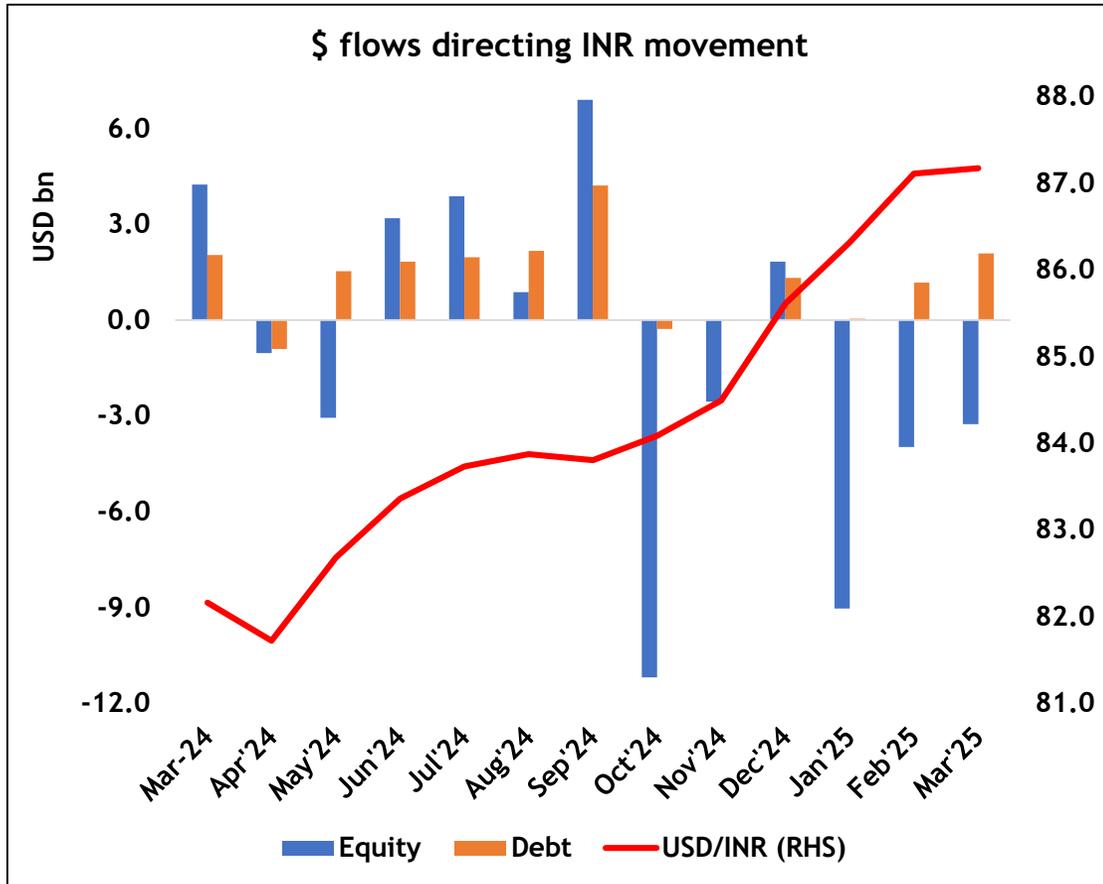
Rupee depreciation may augur well for export competitiveness

- We compliment Government & RBI for working together to shift growth narrative.
- India can take some respite from being a domestic demand driven economy as consumption contributes ~60% of GDP.

Rupee has been the prime channel of impact of Trump 2.0 on India forcing RBI to announce various liquidity measures

Continuous outflows from equity markets has put pressure on the rupee

RBI has announced various measures to ease impact of FX outflows on banking system liquidity

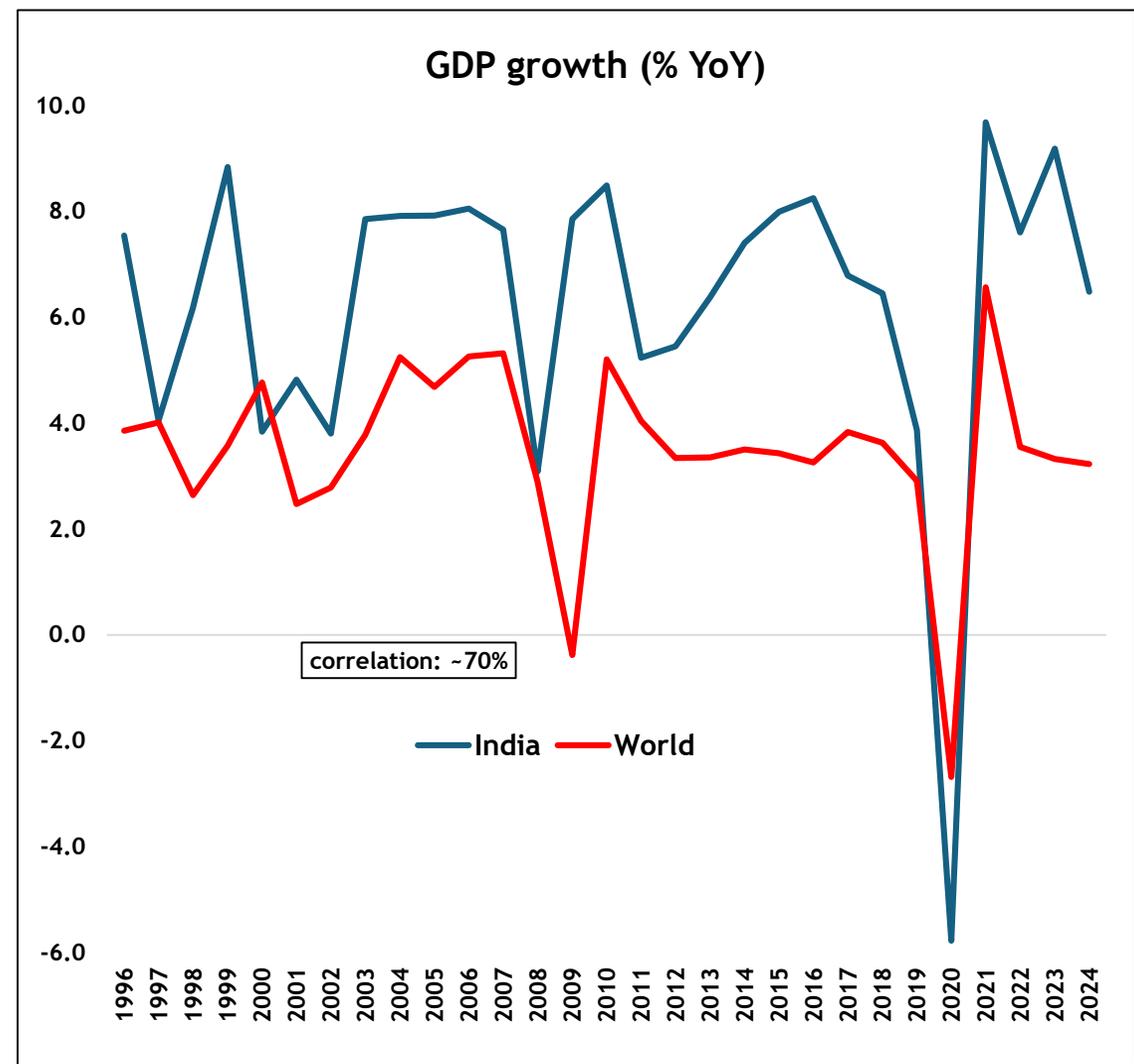


Direct domestic macro impact via slower global growth may be partly offset by weak FX and lower oil prices

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 

India's growth has high correlation with global growth even as the beta is low at 0.3



Trump has called India “the tariff king”

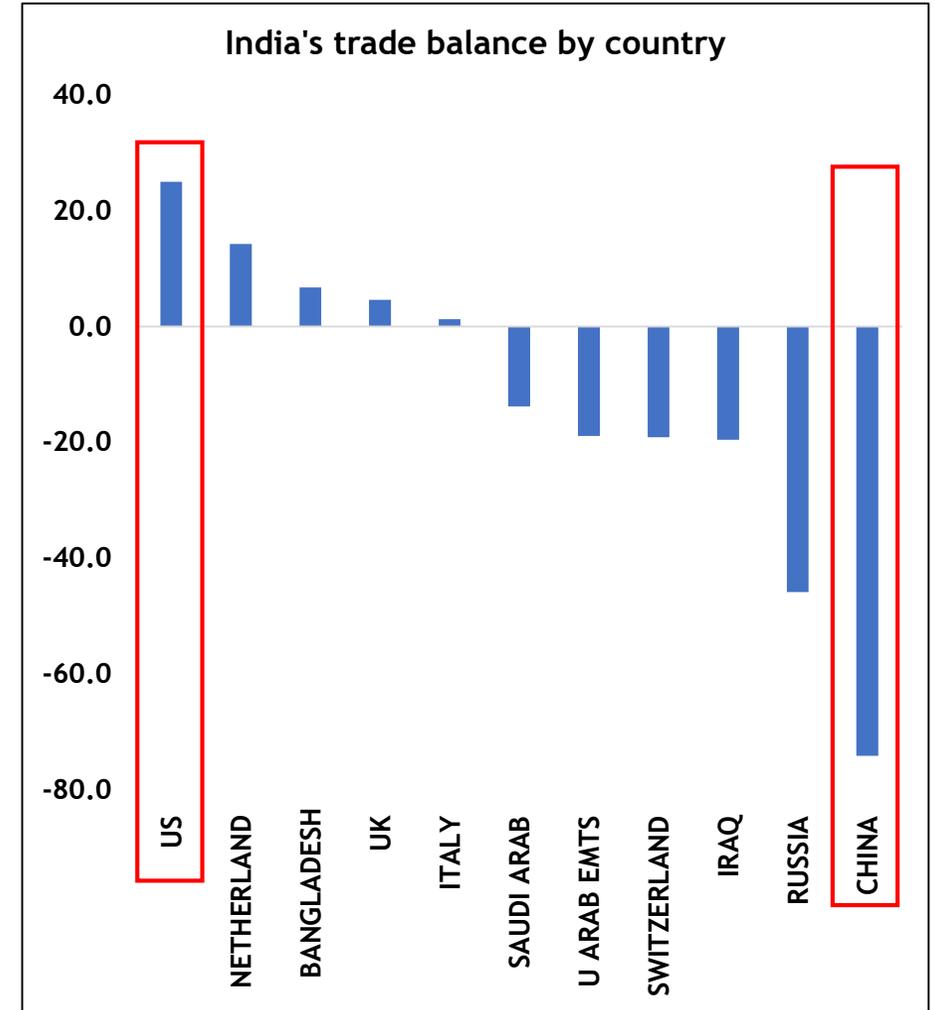
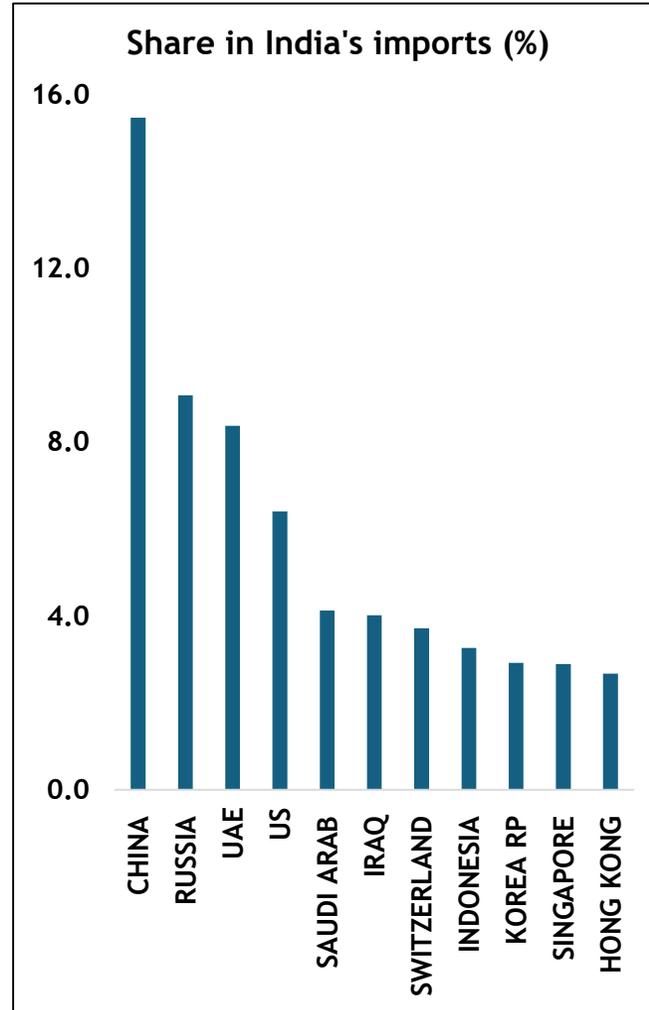
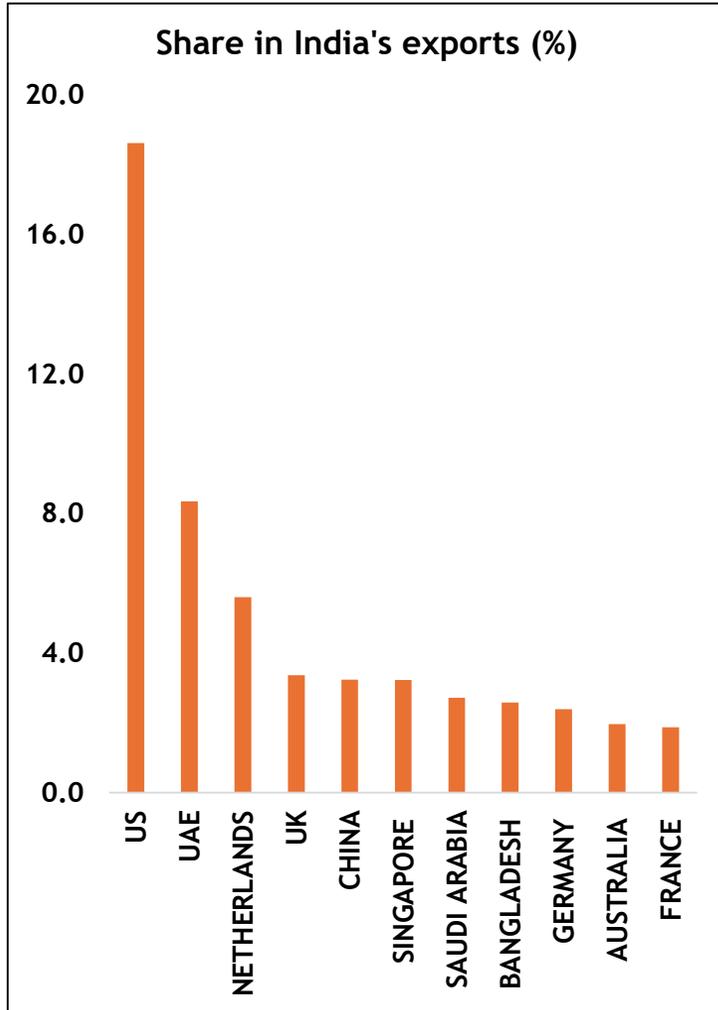
Product Group	Tariffs (Simple Average) (%) by India	Tariffs (Simple Average) (%) by US	Tariff differentials (%)
Food Products	46.8	8.2	38.7
Vegetable	33.1	2.3	30.8
Animal	31.3	5.7	25.6
Transportation	26.9	2.0	25.0
Footwear	22.0	7.1	14.9
Textiles and Clothing	16.6	9.1	7.5
Miscellaneous	13.0	2.9	10.2
Stone and Glass	12.1	3.3	8.8
Hides and Skins	10.8	5.0	5.8
Plastic or Rubber	10.0	3.7	6.3
Wood	9.1	0.6	8.5
Metals	8.7	2.0	6.7
Mach and Elec	8.5	1.3	7.1
Chemicals	8.2	2.9	5.3
Minerals	6.3	0.4	6.0
Fuels	4.1	0.0	4.1
All Products	12.6	3.8	8.8

Product Group	US imports from India (US \$ Bn)	India's imports from US (US \$ Bn)	Trade Balance (USD Bn)
Food Products	1.7	0.4	1.4
Vegetable	2.3	1.3	0.9
Animal	2.7	0.0	2.7
Transportation	3.7	1.0	2.8
Footwear	0.9	0.0	0.9
Textiles and Clothing	12.5	0.7	11.7
Miscellaneous	4.5	2.0	2.4
Stone and Glass	18.1	8.2	10.0
Hides and Skins	0.9	0.0	0.9
Plastic or Rubber	2.9	1.9	1.0
Wood	1.0	1.4	-0.4
Metals	7.1	3.1	4.1
Mach and Elec	12.5	6.1	6.4
Chemicals	16.1	4.7	11.3
Minerals	0.2	0.1	0.0
Fuels	3.9	20.7	-16.7
All Products	91.0	51.8	39.2

* Data refers to 2022, as stated in WITS database

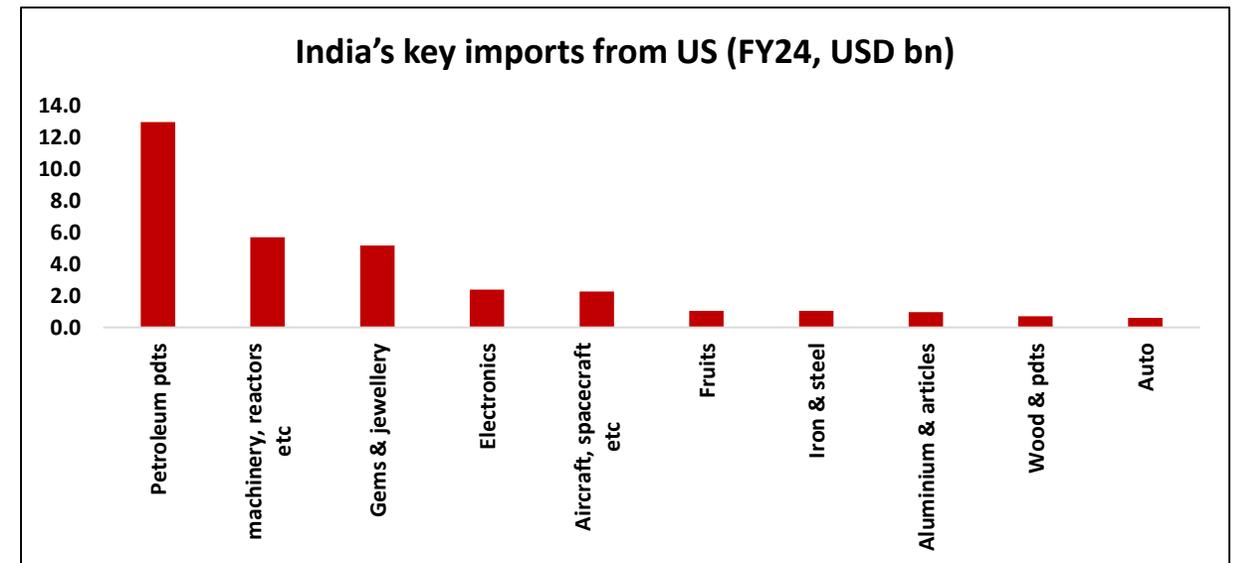
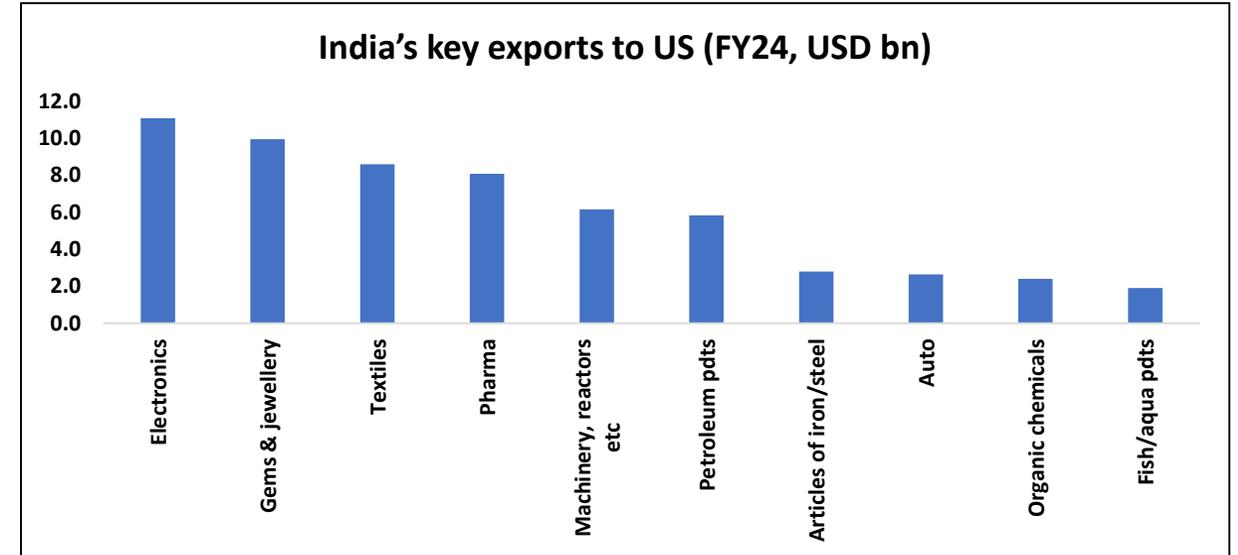
- Taking the case of reciprocal tariffs equal to that of tariff differentials, data shows that India can experience ~‘9%’ reciprocal tariffs.

US is one of the economies with which India has a trade surplus while peak deficit is clocked with China



India-US trade and flow relations are significant

India-US economic relations			
	Unit	FY19	FY24
Merchandise trade			
India exports to US	USD bn	52	77
<i>% share in total</i>	%	16	18
India's total exports	USD bn	330	437
India imports from US	USD bn	35	42
<i>% share in total</i>	%	7	6
India's total imports	USD bn	514	678
India's trade balance with US	USD bn	17	35
Software Services exports			
India exports to US	USD bn	72	103
<i>% share in total</i>	%	61	54
Remittances			
<i>% share in total*</i>	%	22.9	27.7
FDI flows			
India gross FDI from US	USD bn	3	5



*using RBI data on inward remittances mainly covering 30 AD banks (capturing around 99% of the value of total inward remittances reported under the purpose of family maintenance and savings);

Issue of dumping of products from China has led government to implement reciprocal tariffs

Case study of steel sector: Impact of dumping

% share of China in India' total imports in these sectors		
Sectors	FY 2018-19	FY 2023-24
Electronics Components	36.9	39.62
Computer Hardware, Peripherals	44.6	49.93
Iron And Steel	11.3	16.2
Organic Chemicals	25.2	30
Plastic Raw Materials	11.8	22.4
Electric Machinery And Equipment's	26.7	30.98
Auto Components/Parts	22.8	25.45

Comparative parameters of India-China steel industry

Sectors	Earlier	Now
India' position	2 nd largest exporter	Net importer
Capacity utilization	favorable	Dropped to 1/3
Profit margin	Reasonably good	Dropped by 70-80% avg.
Price competition	Realizable	Chinese imports 60-70\$ a metric ton low
Employment	Mass scale employment	10-15% decline
imports	moderate	Jump by 30%
Price pressure	Competitive rates	10% less than Indian prices

- India's emerging solar, steel and electronics industries face headwinds from China dumping. Data showed that, India's imports of electronics, hardware and iron and steel have increased in last 3-4 years.
- In this regard, Directorate General of Trade Remedies (DGTR) has recommended a 12% safeguard duty on some steel products for a period of 200 days. Also, the government has imposed a provisional anti-dumping duty from \$619 to \$873 per metric tonne (MT) on aluminium foil imports from China.

Sectors Likely to Benefit the Most



Electronics & Semiconductor Manufacturing



Pharmaceuticals and APIs



Textiles and Apparel



Chemicals and Specialty Chemicals



Auto and Auto Components



Renewable Energy (Solar & Wind)



Machinery and Capital Goods



IT and Data Centres

Out of the above sectors, electronics and semiconductor manufacturing sector is likely to benefit the most in the short to medium term due to aggressive PLI schemes in India targeting electronics production and high investment commitments by global players.

- ❖ PLI scheme clocks ₹1.46 lakh crores in investment, ₹12.5 lakh crore in production, ₹4 lakh crore in exports and generates 9.5 lakh jobs
- ❖ Over 1300 manufacturing units established across 14 sectors and 27 States/UTs under PLI Scheme
- ❖ 12 greenfield infrastructure projects worth ₹28,602 crore, unlocking ₹1.5 lakh crore investment potential.

Source: UBI Research, Ministry of commerce and industry

India's iPhone success

- **Apple has generated 185,000 direct jobs**, over 70 per cent of which are held by women, many of them first-time workers.
- **Apple assembled USD 14 billion worth of iPhones** in India during FY24, constituting 14% of its global iPhone production.
- **India's production of iPhones increased by 46%** in 2024 making it capture 14-15% of Apple's total iPhone output in FY24. Industry analysts project this share to expand to 26-30% by 2027, taking share from China.
- **More importantly, ~75% of India's iPhone output is exported**, with exports from India totaling USD 13bn (up 42% YoY) in 2024.
- **However, Apple's India revenue constitutes only 2%** of its total in FY24 (muted increased from 0.2% in FY20), while it is 17% from China.

- *Silver-lining from US China trade war can be drawn for 'strategic advantage' for India. Given the PLI support and policy support as announced in Union Budget FY 2025-26, India can complement global supply in electronics, textiles and computer hardware.*



Sectors/Industries Contributes majorly to US Exports

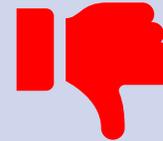


Steel and Aluminium Industry
Pharmaceutical Sector
Textile Industry

Electronics Industry
Automobile Sector
Gems & Jewellery



Sectoral prone to import substitution/dumping



Food products
Automobile Sector
Iron & Steel

Gems & Jewellery and Stones
Solar PV modules
Textile & Garment industry



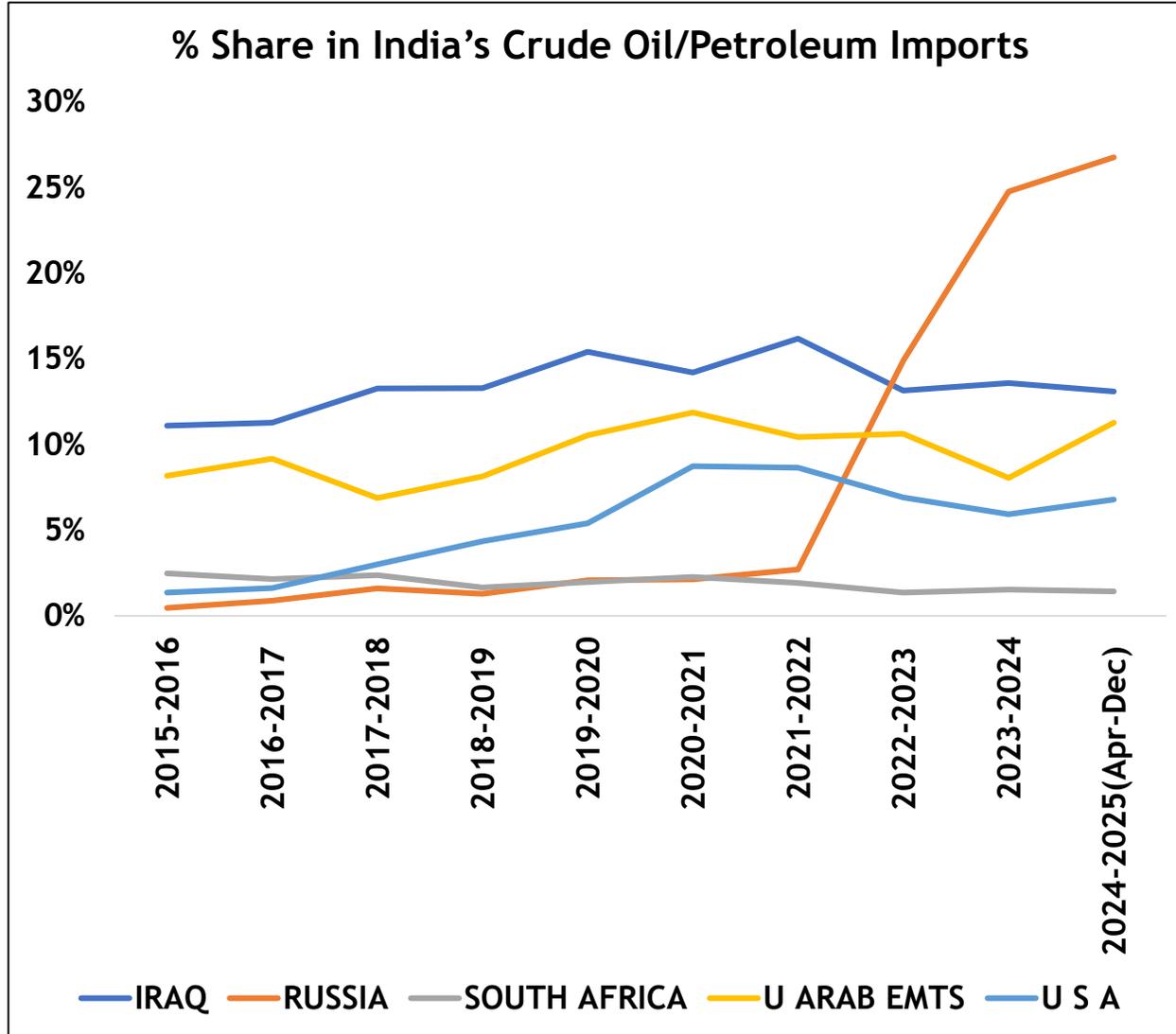
Impact on Commodity linked sector



Crude Oil linked sectors

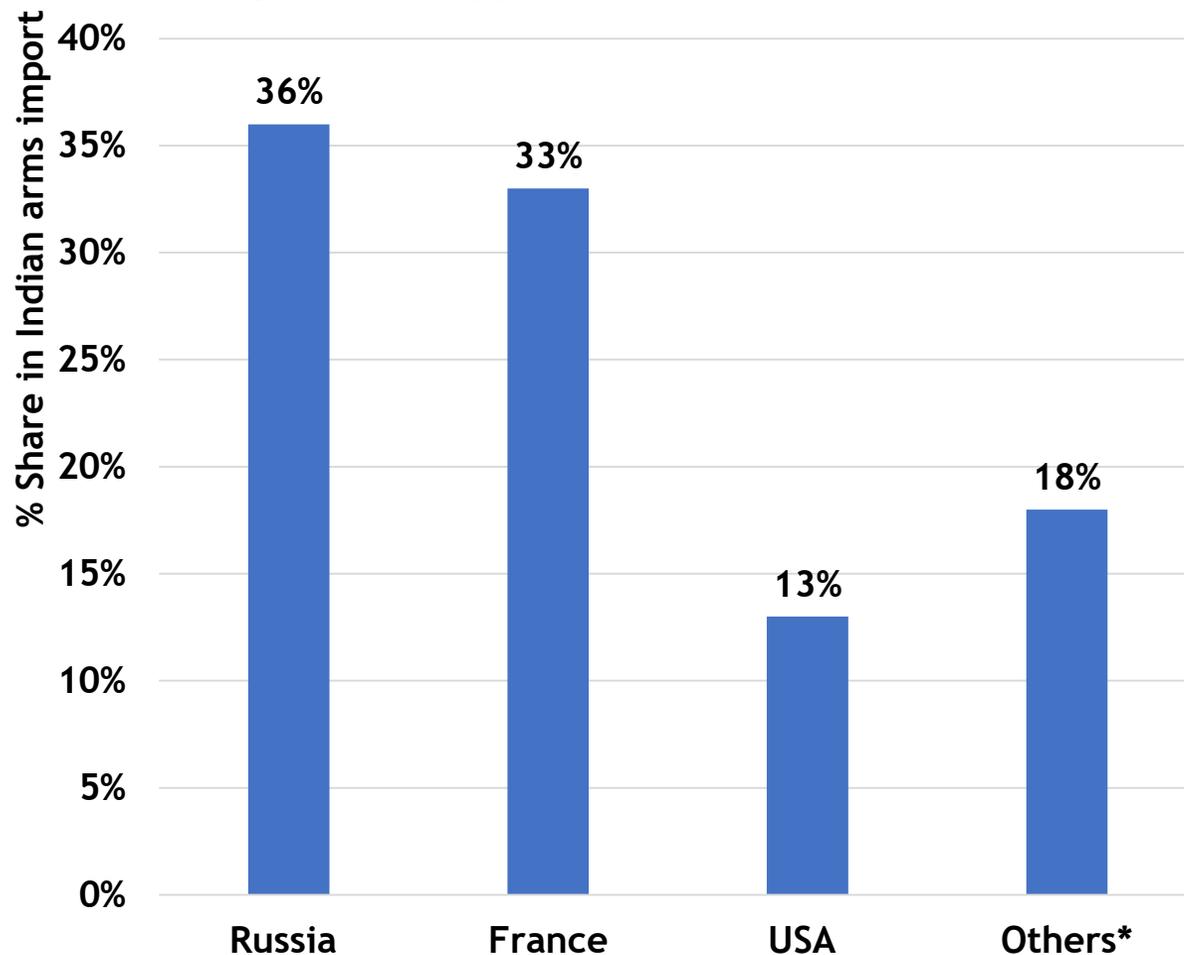


Metals linked sectors



- Russia has become India's largest crude supplier post-2022, reflecting a major shift in sourcing strategies
- Meanwhile, the share for US in India's crude oil imports has been relatively flat at ~7-9% notwithstanding the sharp rise from 1% in 2015/16 post imposition of sanctions on Iran
- To reduce trade imbalances, India could import more crude oil from US without engaging in product level negotiations under current India- US trade deal
- In case there is a shift away from Russia towards US as our key oil import partner, there is a risk of rise in costs as average import price of crude oil from US vis-à-vis Russia is higher by ~10%
- Meanwhile, pickup in crude oil supply from US may reduce overreliance on any single country helping limit impact of geo-political risks

Major arm suppliers of India (2019-23)



* Countries include mainly Israel, Poland, South Korea and others

- India tops in the global arms imports Share of 9.8 % for the period 2019-23 and continues its pursuit of a diversified military arsenal with pursuit for self reliance.
- India was the largest recipient of Russian arms in 2014-18, but imports decreased by 34 per cent to during 2019-23 over 2014-18 and could see further decline as Ukraine war has disrupted its reliability, opening avenues for sophisticated US products under tariff negotiations and trade deal.
- As per media reports, US is eager to push India towards American alternatives, including the advanced F-35 fighter jets amid growing trade deficit and tariff issues, even as India remains cautious, as the U.S. imposes strict operational conditions and lacks a strong technology transfer agreement.
- India was the largest recipient of French arms exports(29%) in 2019-23. France offers government-to-government deals, local production benefits etc , making it a preferred defence partner for India with focus on self-reliance may face challenges from defence deal under India US trade deal.

- **India and the United States** are actively working to strengthen their trade relationship, aiming to finalize a Bilateral Trade Agreement that addresses various trade barriers, U.S trade deficit and enhances market access for both nations. This initiative is part of broader goal, termed "**Mission 500**," which aspires to elevate bilateral trade to \$500 billion annually by 2030.
- **Recent Developments:**
 - ✓ **Tariff Discussions:** U.S. President Donald Trump has expressed optimism that India will reduce tariffs on American goods. He indicated that if these reductions are not implemented by April 2, the U.S. may impose reciprocal tariffs on Indian products. 25% tariffs on aluminum and steel are already effective.
 - ✓ **India's Response:** Indian Prime Minister Narendra Modi has acknowledged President Trump's clear strategic vision for his second term. Modi emphasized the importance of the U.S.-India partnership and expressed a commitment to resolving trade disputes amicably, aligning with the mutual goal of boosting bilateral trade.
- **Strategic Significance:** The proposed trade agreement is anticipated to benefit both economies.
 - ✓ **Economic Growth:** Reducing tariffs and other trade barriers is expected to stimulate economic growth in both countries.
 - ✓ **Market Access:** Enhanced access to each other's markets will likely boost exports and imports, benefiting various industries.
 - ✓ **Geopolitical Alignment:** Strengthening economic ties aligns with broader geopolitical strategies & reinforcing partnership.
- **Outlook:** Both nations are working diligently to strengthen their trade relationship, while challenges remain, the commitment from both sides reflects a shared vision of a robust economic partnership that may see:
 - ✓ India **reducing tariff** on some sector specific US imports (Protecting domestic Mfg. industry and Agri).
 - ✓ US may not put India at par with other countries while implementing the **reciprocal tariffs**.
 - ✓ India may shift energy requirements/imports towards US to reduce U.S trade deficit.
 - ✓ New **Defence deal** by India (*F-35 fighter jets offered by US*) can be seen to boost economic ties and put off tariff issues.
 - ✓ The **geopolitical disruptions** (China +1, Defence partnership, trade war etc.) may see India & US coming more closer sidelining major tariff differences.

Thank You !

RESEARCH TEAM

KANIKA PASRICHA

SUNEESH K

R GUNASEELAN

NIDHI ARORA

RAJESH RANJAN

AMIT SRIVASTAVA

JOVANA LUKE GEORGE



DHIRAJ KUMAR

AKASH DEB

ROHIT YARMAL

SHREYAS BIDARKAR

S. JAYALAXMI
