Trump's Trade Policies Peril Global Economic Stability

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Preface

Professor Sachin Chaturvedi
Director General, RIS

With growing trade policy specific complexities, a renewed and comprehensive engagement with the United States, across multiple sectors has become both necessary and indispensable. A well-structured institutional framework at the highest level must be established to navigate a broad spectrum of critical sectors of engagement including trade, investment, technology, and finance, to propel bilateral economic ties forward. At the core of the current vision of the US trade policy is the 'America First' strategy, which underscores a strong emphasis on revitalising domestic manufacturing while redressing deep-rooted trade imbalances that have long affected the U.S. economy. A significant portion of this imbalance stems from large trade deficits with China, Canada, and Mexico, and correcting these trade dynamics is seen as a pathway to stabilising the U.S. economy. However, if these policy adjustments manifest in punitive trade actions, their ripple effects may extend far beyond the immediate stakeholders, influencing economies worldwide including India.

This study has undertakes an in-depth examination of how these policy maneuvers, under the new U.S. administration, could reshape global trade dynamics with a particular focus on their impact on India. Based on empirical research, leveraging extensive databases from the United Nations and various multilateral institutions, the study bring in a detailed assessment of trade patterns with major U.S. trading partners. A key aspect of this research is an evaluation of the feasibility of achieving the ambitious $500 billion trade target by 2030, as outlined in the 'Mission 500' agreement.

The empirical analysis offers valuable perspectives on India's potential trade strategy with the U.S. in the medium term. By shedding light on shifting global trade configurations, this study contributes to a deeper understanding of India's evolving economic relationship with the United States and the broader implications of the new U.S. policy direction. I'd like to congratulate Professor S K Mohanty and his research team for this excellent output and would also like to acknowledge RIS Publications team led by Shri Tish Malhotra and Shri Sachin Singhal for their efforts for timely publication of the study.

Sachin Chaturvedi

1

Transformations in Trump's Trade Strategy

1. Introduction

The recent pronouncements of President Trump, blended with risky political overtones such as the conjectural annexation of Canada and Greenland or asserting control over the Panama Canal, possess the latent potential to disrupt the delicate geostrategic balance essential for global peace. Trump 1.0 had a well-established record of adopting a rigid and coercive approach to settle personal ambitions with major trading partners, including China, Mexico, Canada, the European Union, India, Japan, South Korea, Brazil, Argentina, and Turkey. His trade policies were marked by a series of punitive measures, including the imposition of steep tariffs on key commodities such as aluminium, steel, automobiles, and consumer goods, alongside the abrupt withdrawal of Generalized System of Preferences (GSP) benefits. Furthermore, he compelled countries like Canada and Mexico to renegotiate existing FTA under pressure and extended his trade restrictions to specific industries, such as whisky. In response, several affected nations opted for retaliatory measures to counterbalance the aggressive trade actions of the Trump administration.

In the new term, the Trump administration's resolve to initiate sweeping trade actions against a multitude of countries, including India, potentially triggered a cascade of tremors and prolonged periods of instability as affected nations engage in retaliatory measures (Bouët, Sall & Zheng, 2024). Reflecting on historical precedents, the U.S. administration has often invoked several domestic laws to address perceived trade disparities. However, a nuanced understanding of prospective actions under President Trump might be better captured through the lens of laws such as the International Emergency Economic Power Act (IEEPA), Section 338 of the Tariff Act, and Section 301 and Section 122 of the Trade Act. This raises probing questions about the rationale behind such prospective trade actions, especially when the U.S. economy continues to thrive amidst the lingering shadow of a global recession that has persisted for an unprecedented 17 consecutive years.

In response to U.S. trade measures, most affected countries retaliated by suspending agricultural imports from the U.S., striking at a key sector of the American economy. Many imposed restrictions on bourbon and whisky imports, introducing other measures to control them. Following the U.S. tactics, several nations levied tariffs on steel and aluminium while simultaneously seeking alternative markets for these metals. Imports of consumer goods, as well as household and industrial products from the U.S., were also curtailed. Countries like Mexico, Canada, and South Korea deliberately stalled or halted their FTA negotiations with Washington (Kim, Pyo & Wood, 2018). A coalition of like-minded nations emerged,

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actively exploring trade diversion strategies to minimize reliance on U.S. markets. Several affected economies resorted to blacklisting American companies, restricting their operations within their borders. Major economic players, including the European Union and Turkey, imposed restrictions on U.S. automobile imports. In a bid for legal recourse, some federal governments pursued litigation at the World Trade Organization (WTO) or engaged in bilateral trade countermeasures. Many aggrieved economies took a more targeted approach, imposing trade restrictions on politically sensitive products and states in the U.S., such as Kentucky, Wisconsin, and Florida, to exert maximum pressure on the Trump administration.

India remains a relatively minor trading partner of the U.S. when compared to its top trading counterparts, which surpass India both in terms of bilateral trade volume and the scale of their trade deficits. While India may not be directly targeted by U.S. trade actions, it is likely to experience indirect repercussions from measures aimed at larger global trade players. During the Trump 1.0 administration, India faced significant trade setbacks, most notably the revocation of its Generalized System of Preferences (GSP) status and the imposition of high tariffs on select products, including steel, aluminium, and various consumer goods in 2019 (Athukorala, 2020). A crucial concern arises when trade restrictions expand to encompass a broader range of consumer goods, as India has a strong foothold in this sector within the U.S. market and stands to suffer substantial losses in terms of market access. In response to these punitive measures, India undertook sweeping retaliatory actions against the U.S. in Trump 1.0, raising tariffs on agricultural commodities, food products, industrial goods, consumer items, and phosphoric acid. Further, India imposed import restrictions on certain medical devices and sought alternative trade avenues, turning to Russia, China, and the European Union to compensate for lost exports to the U.S. These trade frictions persisted for an extended period but saw partial resolution under the Biden administration in 2023. However, the Trump 1.0 administration had initiated aggressive trade measures against more than a dozen major trading partners, ultimately reaching settlements with many after encountering strong retaliatory pushback. If past trends

India remains a relatively minor trading partner of the U.S. when compared to its top trading counterparts, which surpass India both in terms of bilateral trade volume and the scale of their trade deficits.

are any indication, a potential Trump 2.0 administration could once again revive a wave of disruptive trade confrontations (Bremmer, 2024).

2. Continuity and Change in US Trade: Trump 1.0 to 2.0

Former President Trump is known for his aggressive stance on key economic issues, particularly in his quest to reassert American dominance in the global economy. During his Trump 1.0 campaign, he repeatedly emphasised certain trade policies, many of which were swiftly implemented after taking office. Among his most defining actions were the U.S. withdrawal from the Trans-Pacific Partnership (TPP), an escalated trade war with China, and the imposition of steep tariffs on several politically sensitive imports. These executive trade orders became hallmarks of his administration. In response, affected nations launched sharp and decisive retaliatory measures, intensifying global trade tensions. Many of these U.S. trade policies carried over into the subsequent Biden administration, leaving a lasting impact on international trade dynamics.

During the Trump 1.0 campaign, the "America First" policy was broadly framed to redefine the contours of American economic and strategic engagement.

Trade Actions during Trump 1.0

During the Trump 1.0 campaign, the "America First" policy was broadly framed to redefine the contours of American economic and strategic engagement. It emphasised a resolute commitment to economic nationalism, trade protectionism, and stringent migration controls, all aimed at triggering a fundamental shift in the United States' relationships with its key strategic partners. One of President Trump's earliest executive orders, issued in January 2017, marked the withdrawal of the United States from the Trans-Pacific Partnership (TPP) (Jervis, *et al* Eds., 2018). He justified this move by arguing that the trade bloc would undermine the American manufacturing sector and weaken employment prospects across the country. The renegotiation of NAFTA was initiated on the grounds that it was the "worst trade deal" for the United States. The agreement was seen as instrumental in eroding domestic employment opportunities, leading to a forced renegotiation with Canada and Mexico to secure more favourable terms for the U.S. Furthermore, the Trump 1.0 administration escalated tensions with China by launching a full-scale

The Trump administration placed strong emphasis on 'Buy American' policies, aiming to rejuvenate domestic manufacturing by incentivising companies to relocate production back to U.S. soil.

trade war, citing alleged unfair trade practices (Bown, 2021). This resulted in the imposition of tariffs on a vast array of Chinese goods, amounting to over $360 billion annually. These trade actions triggered significant disruptions in global supply chains, amplifying economic distress and deepening the global recession. Bilateral trade was adversely affected, leading to a reduction of bilateral trade almost up to half (Li, Balistreri & Zhang, 2020). Furthermore, the administration placed strong emphasis on 'Buy American' policies, aiming to rejuvenate domestic manufacturing by incentivising companies to relocate production back to U.S. soil while simultaneously penalising firms that outsourced jobs to foreign markets.

The administration also adopted an uncompromising stance on immigration, enforcing restrictive policies to tighten border security and regulate the influx of migrants. A key pillar of this approach was the partial construction of the U.S.-Mexico border wall, aimed at curbing illegal migration. The enforcement of stringent detention policies led to the consolidation of migrant holding facilities, while deportation efforts were intensified. Moreover, the H-1B visa programme was revised, imposing stricter regulations on the entry of IT professionals, particularly from India, as part of a broader effort to limit skilled migration into the country.

The Trump 1.0 administration also waged an aggressive battle on drug trafficking, enacting stringent policies targeting both Chinese and Mexican drug networks. Mexican cartels were officially designated as national security threats, prompting the deployment of National Guard troops and the reinforcement of border security measures to curtail the flow of illicit substances (Hanrahan, & Aroch Fugellie, 2019). Strong legislative and enforcement steps were taken to combat the entry of opioids and fentanyl, with a particular focus on curbing Chinese fentanyl trafficking. Furthermore, the administration pushed for harsher sentencing laws for drug-related offenses, making minimum sentences mandatory and even advocating for the death penalty for major drug traffickers.

Throughout this period, the administration pursued country-specific trade policies that injected a sense of uncertainty into the global economy. A protracted

The Trump administration pursued country-specific trade policies that injected a sense of uncertainty into the global economy. A protracted trade and technology war unfolded with China, fuelled by allegations of intellectual property misappropriation and currency manipulation.

trade and technology war unfolded with China, fuelled by allegations of intellectual property misappropriation and currency manipulation. These tensions led to punitive actions against Chinese firms, notably Huawei. Simultaneously, Mexico was threatened with tariffs unless it took decisive action to curb illegal migration, compelling it to sign a revised trade agreement under the NAFTA framework. Iran was subjected to severe sanctions on its oil exports and the withdrawal of the U.S. from the Joint Comprehensive Plan of Action (JCPOA) in 2018 (Heo, 2023). Even longstanding allies such as the European Union were drawn into trade disputes, with threats of increased tariffs on automobiles and steel. India, too, faced economic repercussions as its benefits under the Generalized System of Preferences (GSP) were revoked, subjecting its steel and aluminium exports to higher tariffs. Similar trade threats continued to surface intermittently during the early stages of the Trump 2.0 campaign, reinforcing the administration's shift toward a protectionist economic framework.

Issues during the Election Campaign

During the election campaign under Trump 2.0, familiar concerns resurfaced as Trump once again raised issues that placed the global economy under severe strain (Klingebiel & Baumann, 2024). The new administration proposed sweeping tariffs on China, Canada, and Mexico, aiming to shield domestic industries and address bilateral trade imbalances. As part of this strategy, Canada and Mexico were to face tariffs amounting to 25% of their exports to the U.S., while China was subjected to a 10% tariff on its goods entering the American market. Trump further advocated for reciprocal tariffs on nations that failed to uphold fair trade practices.

Migration also emerged as a central theme, with a strong emphasis on curbing illegal immigration through the deployment of enhanced border security measures. Canada and Mexico risked facing stringent actions if they failed to prevent the illicit flow of drugs into the U.S. (Bukhari, 2025). The persistence of drug trafficking remained a pressing concern for the U.S., particularly with the rise of powerful cartels in Mexico. However, the U.S. administration also pointed fingers at China and Canada for their alleged involvement in facilitating the influx of illicit drugs. Throughout the campaign, various

The Trump administration's policy initiatives have spanned an impressive array of sectors, incorporating both sector-specific and product-specific strategies.

countries were targeted for different reasons. Mexico found itself under tariff pressure to step up efforts against both illegal immigration and drug smuggling. China, on the other hand, faced the looming threat of losing its Most Favoured Nation (MFN) status due to its failure to address bilateral trade imbalances and its inaction in preventing the trafficking of fentanyl into the U.S. Similarly, Canada drew Washington's ire over multiple issues, including its expanding trade surplus, its perceived inability to curb illegal immigration, and its growing role in drug trafficking activities affecting the U.S.

Policy Action under Trump 2.0

The 'Trump 2.0' policy agenda is consistent with the 'American First' principle by supporting domestic industries, addressing trade imbalances, and withdrawing financial support from various economies, institutions, and sectors, all of which ripple across the globe to significantly impact international stakeholders while reaffirming the interests of the U.S. The Trump administration's policy initiatives have spanned an impressive array of sectors, incorporating both sector-specific and product-specific strategies. Major policy actions are invoked in areas such as trade, international migration, drug trafficking, foreign aid, engagements with international institutions, and global humanitarian programs. The Trump policies on the global stage are in diverse domains of regulation and diplomacy, influencing product-specific and sector-specific trade issues while affecting individual countries, regional groupings, immigration patterns, drug trafficking, foreign aid, and international institutions. The Trump administration prioritised national and economic interests over collaborative and humanitarian concerns, however, these endeavours have inadvertently cast a shadow over the domestic economy.

Policies towards Trade

The Trump administration imposed a sweeping 25% tariff on all goods that Canada and Mexico export to the United States. Following negotiations, this tariff was temporarily postponed for one month, until February 4th, 2025, as both nations agreed to increase Border Security surveillance to combat illegal drug trafficking and illegal immigration into the United States. Meanwhile, the

Tariffs are also poised to strain economic relations with close trade allies, simultaneously jeopardising global economic stability and exacerbating the already precarious state of the global recession.

Canadian oil export sector faces a 10% tariff, primarily due to concerns over potential fuel shortages in the region. China, in turn, will be subject to a 10% tariff on all exports to the U.S. Imports of steel and aluminium products are now confronted with a 25% tariff to both protect the domestic industry and address ongoing trade imbalances. The imposition of such sector-specific tariffs is expected to deeply impact countries like Canada, Mexico, Brazil, and the European Union. In a move to streamline regulations, the Trump administration has eliminated 10 existing regulations and introduced new ones, aimed at reducing compliance costs for domestic industries. While a reciprocal tariff system is poised to be introduced with the goal of levelling the playing field for U.S. exports, these policies bear significant risks. They could ignite a trade war between the U.S. and its trading partners, a conflict that might diminish the competitiveness and profitability of U.S. industries. Beyond the bilateral impacts, such tariffs are also poised to strain economic relations with close trade allies, simultaneously jeopardising global economic stability and exacerbating the already precarious state of the global recession.

The U.S. has announced tariffs on agricultural imports to protect domestic farmers and address longstanding trade imbalances.

Sector-Specific Trade Policy

Recent executive orders by the Trump administration have subjected a wide array of sectors to critical trade policy actions. Automobile imports to the U.S. now face a 25% tariff imposed on countries such as Canada and Mexico, a measure anticipated to prompt many manufacturing firms to relocate their production facilities within U.S. borders. Similarly, electric vehicles are also subject to a 25% import tariff, a policy designed to bolster domestic car manufacturing and invigorate the national auto industry. In a strategic manoeuvre, the European Union has contemplated reducing its car prices to secure continued market access in the United States. Moreover, the U.S. has announced tariffs on agricultural imports to protect domestic farmers and address longstanding trade imbalances. In a reciprocal effort, the European Union is exploring the import of soybeans from the U.S. Further, several other sectors including financial services, consumer goods, transportation, capital goods, etc. stand to benefit from this new trade regime. Finally, a reduction in regulatory burdens within these industries is expected to enhance their growth prospects in the domestic market.

In light of these developments, there is an urgent need for a comprehensive review and introspection of policies from all corners of the United States.

3. Executive Trade Actions: Policy Choices for the President

The Trump administration is deeply concerned about the growing economic activities of certain nations, whose actions are perceived as detrimental to the economic interests of the U.S., particularly in the realm of trade. During his campaign, President Trump explicitly pledged to impose a 60 per cent tariff on Chinese goods and a 100 per cent tariff on electric vehicles manufactured in Mexico by Chinese companies, as well as on vehicles directly originating from China. Furthermore, he proposed that trade activities conducted by BRICS nations, particularly those involving local currencies to circumvent the U.S. dollar as the intervention currency for trade, would attract a 100 per cent tariff. Mexico and Canada, too, faced the prospect of a 25 per cent tariff on all products unless they took decisive measures to curb the influx of drugs, migration, and fentanyl into U.S. territory. However, the president must carefully select appropriate legal mechanisms to enforce these tariffs and initiate further measures.

The constitutional authority to establish tariffs resides solely with Congress, which retains the power to amend the tariff framework but has delegated its execution to the president.

The constitutional authority to establish tariffs resides solely with Congress, which retains the power to amend the tariff framework but has delegated its execution to the president. However, significant adjustments to the tariff structure, as pledged during election campaigns, can potentially lead to intricate legal disputes but many of them can fulfil the ambition of President Trump (Oxford Analytica, 2024). The sweeping changes to tariffs proposed by the Trump administration, targeting specific trading partners, may find legal backing through the International Emergency Economic Powers Act (IEEPA). This statute confers the president with extensive authority to regulate tariffs under the pretext of a national emergency. A historical precedent was set in 1971 when President Nixon invoked the Trading with the Enemy Act (TWEA) to regain control over a deteriorating balance of payments situation. Under such legislative instruments, the president can escalate tariffs to extraordinary levels, although with substantial risk of legal entanglements.

These legislative provisions collectively enable the president to impose import restrictions on specific sectors or products, thereby attempting to regulate the trade sector systematically.

Section 338 offers another legal avenue, allowing tariff hikes up to 50 per cent, though it does not reach the 60 per cent threshold that President Trump vowed to impose on China during his campaign. Nonetheless, this section is embedded with procedural complexities that render its application cumbersome. Similarly, under Section 301, the United States Trade Representative (USTR) must present concrete evidence that a trading partner is intentionally undermining U.S. rights under a trade agreement. The USTR must also undergo a parallel process should the trade measures require an extension beyond four years. Section 232 permits the invocation of tariffs to address concerns over national security, but such measures are restricted to a duration of one year. Meanwhile, Section 122 authorises the president to raise tariffs by up to 15 per cent for a maximum of 150 days, citing balance of payments issues.

These legislative provisions collectively enable the president to impose import restrictions on specific sectors or products, thereby attempting to regulate the trade sector systematically. Given the anticipated trade restrictions articulated by the Trump administration, provisions like IEEPA and Section 338 appear particularly suited for implementation. Nevertheless, it is noteworthy that none of these provisions were explicitly referenced in the initial executive.

The subsequent sections explore some of these pressing issues with a structured analysis. Section 2 explores the implications of US-initiated trade actions, particularly in the context of an economy striving for stabilisation amid an ongoing recovery. Section 3 highlights the persistence of trade imbalances in the U.S. and the mounting pressure they exert on the domestic economic landscape. Section 4 sheds light on India's apprehensions regarding U.S. trade actions, particularly in relation to its market access and possible policy remedies. The last Section presents overarching conclusions and policy recommendations.

2

The U.S. Economy on the Road to Recovery

The U.S. economy is exhibiting robust signs of recovery, not only stabilising but also infusing renewed dynamism into domestic growth (Yang, 2024). Over the past two years, the economy has surged along a remarkable growth trajectory. Projections indicate that the nation's GDP will expand from $21.4 trillion in 2020 to an impressive $29.2 trillion by 2024 as shown in Table 2.1. This economic resurgence has been highlighted by a robust growth rate, which reached 2.9 per cent in 2023 and is expected to sustain momentum at 2.8 per cent in 2024. Per capita income has also experienced a notable upswing, rising from $77,980 in 2022 to approximately $86,601 in 2024, reflecting increased prosperity.

FDI flows have remained moderately strong, with both inward and outward FDI showing moderate growth in 2023. Since 2018, the share of outward FDI in GDP has been on a steady rise, while the inward FDI share has experienced a persistent decline in the post-pandemic years. This divergence has led to an outflow of resources, particularly from FDI sources, raising concerns about the sustainability of investment inflows. The country's gross capital formation as a percentage of GDP has remained moderately high, consistently oscillating between 21% and 22% over the past several years. The disparity between the gross capital formation ratio and the gross fixed capital formation ratio has been minimal, ensuring a stable contribution to the nation's growth trajectory.

With the investment ratio surpassing the savings ratio, the U.S. economy exhibits signs of overheating, fuelling inflationary pressures. In the post-pandemic year, particularly in 2021 and 2022, the inflationary pressure continued to build up in the domestic economy. In such a scenario, imposing import restrictions—especially on consumer goods—could exacerbate demand-pull inflation. The inflationary landscape presented a positive shift as core CPI eased from 4.1 per cent in 2023 to 3.2 per cent in 2024, signalling a downward trend (Jahromi, Mihai & Yang, 2023). The diminishing role of agriculture, coupled with the declining shares of the industrial and manufacturing sectors, has expanded the scope for the services sector to flourish. However, the contraction of production-centric sectors, including agriculture and manufacturing, may necessitate increased imports, exerting pressure on the external sector.

However, while the broader economy demonstrates resilience, the trade sector paints a mixed picture. Both exports and imports have grown, yet the trade deficit widened in 2024, surpassing the previous year's figure of $773.4 billion in 2023. The trade to GDP ratio saw a sharp decline from 26.5% in 2019 to 23.4% in

Table 2.1: Macroeconomic Settings of the U.S. Economy

Variable	2017	2018	2019	2020	2021	2022	2023
GDP (current US$) (Bn)	19612.1	20656.5	21540	21354.1	23681.2	26006.9	27720.7
GDP (constant 2015 US$) (Bn)	19085.7	19651.9	20159.6	19723.6	20917.9	21443.4	22062.6
GDP growth (annual %)	2.5	3	2.6	-2.2	6.1	2.5	2.9
GDP per capita (current US$) (Thou)	60.3	63.2	65.6	64.4	71.3	78	82.8
GDP per capita growth (annual %)	1.8	2.4	2.1	-3.1	5.9	2.1	2.4
Population, total (Mn)	325.1	326.8	328.3	331.5	332	333.3	334.9
Personal remittances, paid ($Bn)	64.1	66.8	71.6	66.1	73.6	87	93
Personal remittances, received ($Bn)	6.3	6.9	7	6.8	7.1	7.4	7.7
FDI, net outflows (% of GDP)	2.1	-0.6	0.5	1.3	1.4	1.5	1.6
FDI, net inflows (% of GDP)	1.9	1	1.5	0.6	2	1.6	1.3
GFCF (% of GDP)	21	21.3	21.3	21.6	21.3	21.4	21.4
Gross capital formation (% of GDP)	21.2	21.6	21.7	21.4	21.3	21.9	21.5
Gross savings (% of GDP)	19	19.2	19.4	18.4	17.8	18.4	17.5
Inflation, CPI (annual %)	2.1	2.4	1.8	1.2	4.7	8	4.1
Agricultural value added (% of GDP)	0.9	0.9	0.8	0.9	0.9	0	0
Manufacturing value added (% of GDP)	11.2	11.3	11	10.5	10.5	0	0
Industrial value added (% of GDP)	18.3	18.5	18.1	17.3	17.6	0	0
Services value added (% of GDP)	76.5	76.3	76.6	77.1	76.4	0	0
Trade in services (% of GDP)	7.1	6.9	6.9	5.6	5.8	6.4	6.4
Goods imports (BoP, US$) (Bn)	2356.3	2555.7	2512.4	2346.7	2849	3270.3	3108.5
Service imports (BoP, current US$) (Bn)	555.1	565.4	593.3	467.1	569.8	713.9	748.2
Current account balance (% of GDP)	-1.9	-2.1	-2.1	-2.8	-3.7	-3.9	-3.3

Continued...

Continued...

Goods exports (BoP, US$) (Bn)	1557	1676.9	1655.1	1433.9	1765.9	2090.3	2045.2
Service exports (BoP, current US$) (Bn)	837.5	865.5	891.2	726.3	804.9	949.1	1026.6
FOREX reserves (includes gold, $Bn)	451.3	449.9	516.7	628.4	716.2	706.6	773.4
FOREX reserves in months of imports	1.5	1.4	1.6	2.1	2	1.7	1.8
FOREX reserves minus gold ($Bn)	112.3	114.8	118.4	133.8	240.2	232.7	234.1
Exports of G&S (US$) (Bn)	2388.3	2538.1	2539.4	2151.1	2555.4	3017.4	3052.5
Exports of goods & services (% of GDP)	12.2	12.3	11.8	10.1	10.8	11.6	11
Imports of G$S (US$) (Bn)	2931.6	3131.2	3116.7	2777.3	3415.5	3976.3	3849.8
Imports of goods and services (% of GDP)	14.9	15.2	14.5	13	14.4	15.3	13.9
Trade (% of GDP)	27.1	27.4	26.3	23.1	25.2	26.9	24.9
Merchandise trade (% of GDP)	20.2	20.7	19.5	17.9	19.8	20.9	18.7
Merchandise imports (current US$) (Bn)	2408.5	2614.2	2567.5	2406.9	2935.3	3371.8	3172.5
Merchandise exports (current US$) (Bn)	1546.3	1664	1643.2	1424.9	1754.3	2065.2	2020.6
Tariff rate, applied, simple mean (%)	3.4	3.3	8.7	2.9	2.8	2.7	0
Tariff rate, applied, weighted mean, (%)	1.7	1.6	13.8	1.5	1.5	1.5	0

Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

The disparity between the gross capital formation ratio and the gross fixed capital formation ratio has been minimal, ensuring a stable contribution to the nation’s growth trajectory.

2020 but demonstrated a steady recovery, reaching 26.9% in 2022, before dipping once again to 24.9% in 2023. A renewed trade war under a potential second Trump administration should ideally affect the U.S. external sector and affect short-term growth prospects for 2025. Meanwhile, the trade in services to GDP ratio dropped to a low of 5.6% in 2020 in the wake of the pandemic but has since rebounded to 6.5% in 2023, approaching, though not yet matching, the pre-trade war level of 6.9% in 2019.

The Current Account Deficit (CAD) of the U.S. economy expanded relentlessly between 2017 and 2020, driven by the twin shocks of an escalating trade war and the unprecedented global pandemic (Celebi, Roeger, & Welfens, 2024). The lingering spillover effects of these disruptions continued to exert downward pressure, pushing the CAD to a concerning -3.9 per cent in 2022. Projections suggest a further deterioration, with the CAD expected to widen to -4.2% of GDP by the third quarter of 2024, highlighting the persistent external vulnerabilities confronting the economy. FOREX reserves continued their downward trajectory, slipping further from $773.4 billion in 2023, adding to concerns about the external sector’s performance. Compared to India, which has long grappled with a chronic trade deficit, the U.S. faces a precarious FOREX situation. The country has operated on the margins, maintaining just 1.5 months’ import coverage in FOREX reserves, though this briefly improved to 2.1 months in 2020 before declining again to 1.8 months in 2023, a concerning development given the potential economic uncertainties surrounding an impending trade war. As efforts to address these imbalances unfold, the Trump administration should exercise caution to avoid unsettling an economy that is otherwise on a firm path to recovery and stability.

3

The Expanding Trade Deficit: Economic Risks and Challenges

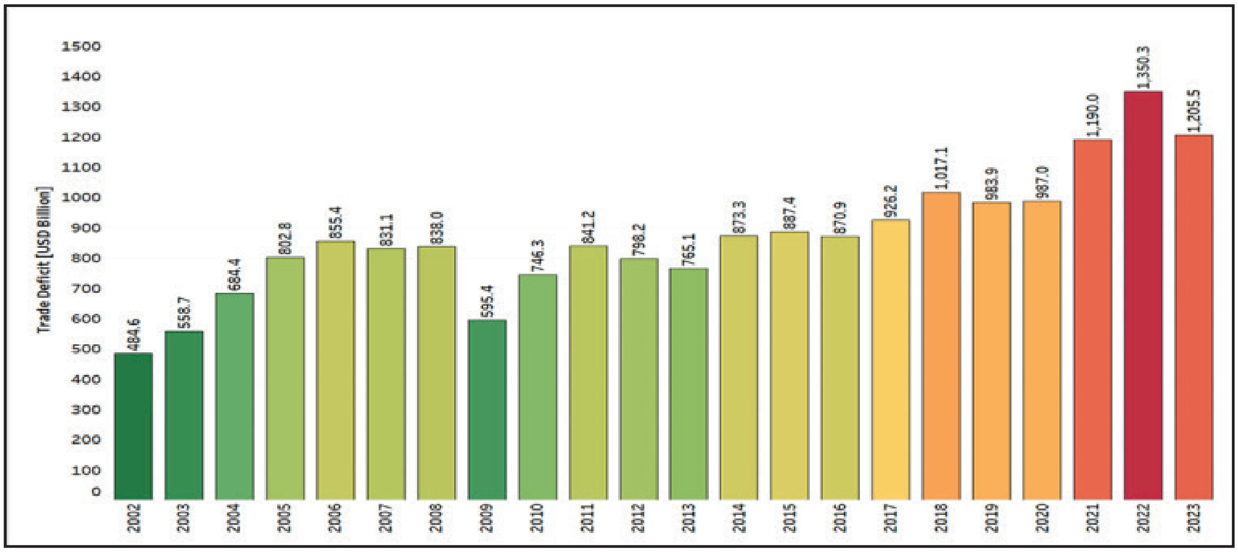
The United States has long been a structurally persistent trade deficit economy, engaging in substantial trade imbalances with the rest of the world for multiple reasons. With a remarkably high per capita income of $82,000 in 2023, domestic demand for imported goods, particularly consumption-oriented products, has surged consistently, fuelling the widening trade deficit. The status of the U.S. dollar as the world's reserve currency further compounds this dynamic. Its strong global demand has led to sustained appreciation, rendering imports relatively cheaper while weakening the competitiveness of U.S. exports.

In pursuit of cost efficiency, numerous U.S. firms have strategically relocated their production bases to offshore destinations, further intensifying trade imbalances. These firms play a pivotal role in channelling exports back to the U.S. mainland, thereby heightening import dependence. Contrary to American expectations, NAFTA has reinforced the role of the U.S. as a primary market for exports from its partner nations, compounding trade pressures. China, in particular, has adeptly leveraged NAFTA economies as strategic production hubs, facilitating its access to the U.S. market through regional trade networks. China has also emerged as a dominant source of U.S. imports, fuelling the deficit through aggressive price-based competition and unfair non-price strategies.

In 2023, total trade in the United States amounted to $4.88 trillion, marking a 5.4% decline from the previous year. Exports stood at $1.84 trillion, while imports were recorded at $3.04 trillion, resulting in a widening trade deficit that reached a staggering $1.21 trillion as shown in Figure 3.1. Over the two-decade period from 2002 to 2023, the country's exports and imports grew by 2.8 and 2.5 times, respectively, ultimately allowing the trade deficit to expand by a similar magnitude. Global trade regimes played a crucial role in shaping the performance of the external sector, significantly influencing its trajectory. During periods of global economic buoyancy, the U.S. trade sector expanded at an extraordinary pace. However, this momentum was abruptly disrupted with the onset of the global recession, particularly during its first phase, spanning from 2008 to 2016. Between 2002 and 2007, the years of economic expansion saw exports and imports surge by over 11% annually, accompanied by a parallel increase in the trade deficit. With the advent of the recession, however, exports and imports contracted by 0.3% and 0.4%, respectively, while the trade deficit shrank by 0.5%. The external sector witnessed a partial recovery during the second phase of the downturn, leading to a renewed rise in both exports and imports,

Figure 3.1: Rising Trade Deficit of the US since the Global Buoyancy

(in billion $)



Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

In pursuit of cost efficiency, numerous U.S. firms have strategically relocated their production bases to offshore destinations, further intensifying trade imbalances.

which, in turn, fuelled the growth of the trade deficit. During 2017-23, exports, imports, and the trade deficit each expanded at an average rate of 2.5%. The external sector flourished during phases of economic buoyancy, yet it remained highly volatile, with fluctuations in trade activity closely mirroring shifts in global market conditions. Moreover, long-standing and rapidly expanding trade partnerships with certain nations became key contributors to persistent trade imbalances within the U.S. economy.

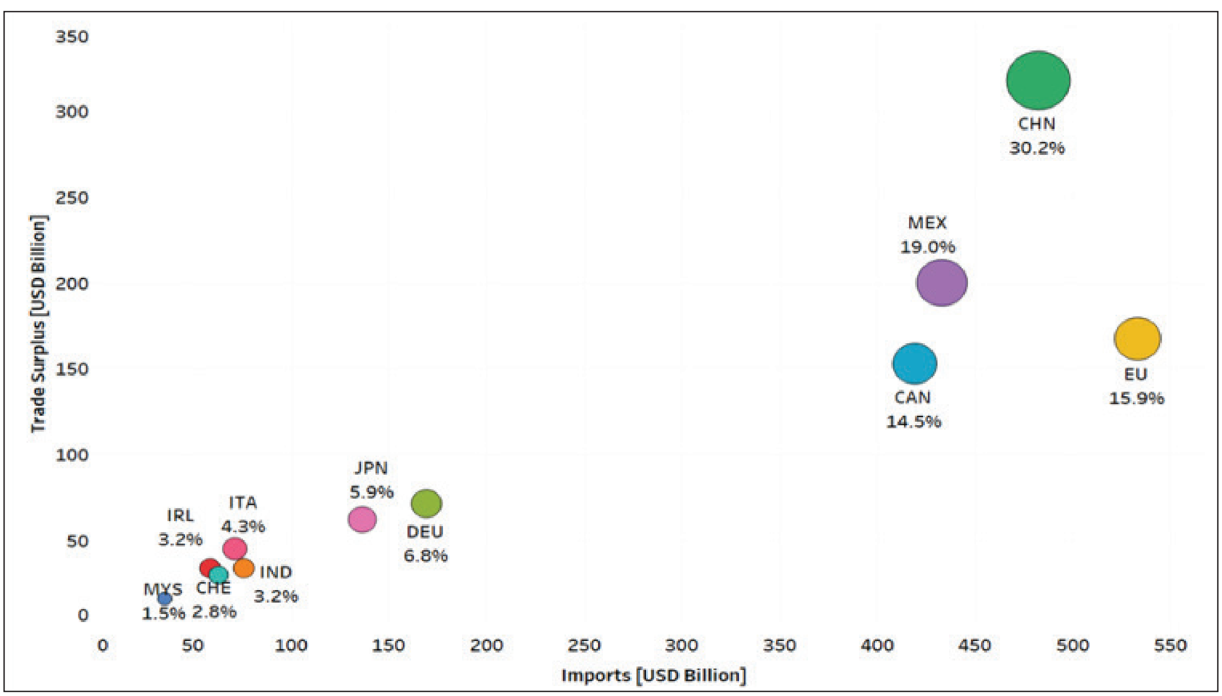
The U.S. Trade Deficit with Its Leading Partners

The trade deficit of the U.S. with the world reached alarming proportions since the post-COVID era, surpassing the staggering mark of one trillion dollars annually since 2021. While 2023 showed slight improvements in the U.S. trade balance compared to the preceding year, the country remained under significant strain due to the unsustainable levels of its Current Account Deficit and dwindling foreign exchange reserves. As per World Bank data, the top eight countries with which the U.S. recorded trade deficits collectively accounted for an overwhelming 99.7 per cent of its total global trade deficit in 2023 as shown in Figure 3.2.

Global trade regimes played a crucial role in shaping the performance of the external sector, significantly influencing its trajectory.

India, despite registering a trade surplus of $33.8 billion with the U.S. in 2023, contributed a modest 3.2 per cent to the overall deficit, making it the ninth-largest trade surplus partner of the U.S. as shown in Figure 2. In contrast, China retained its position as the U.S.'s largest trade deficit partner, responsible for over 30 per cent of the total trade deficit (Yu, 2020). Other major trade surplus partners of the U.S. surpassing India, were Germany, Japan, Italy, and Ireland (Kwon, 2024). Although India's relatively modest bilateral trade surplus with the U.S. might shield it from direct punitive trade actions, it remains susceptible to the cascading effects of measures targeted at larger trade surplus partners. Empirical evidences indicate that India's exports could face substantial setbacks if the U.S. were to impose trade restrictions on key partners. The U.S. registered a trade deficit with less number of countries than a bilateral trade surplus. With 34 trade partners, the U.S. had a trade deficit and with 53 countries trade surplus in 2023 as shown in Figure 3.3.

Figure 3.2: The US Trade Deficit with Key Trade Deficit Partners: Share in Overall US Deficit, %



Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

Note: The size of the circle refers to the share in the trade deficit of the US, the name of the countries are denoted by 3-digit ISO and figures represent the share of a trade partner in the overall trade deficit of the US.

The external sector witnessed a partial recovery during the second phase of the downturn, leading to a renewed rise in both exports and imports, which, in turn, fuelled the growth of the trade deficit.

The trade landscape of the United States in 2023 exhibited a spectrum of surpluses and deficits across various economies. The highest trade surpluses were recorded with four key partners, the Netherlands, Great Britain, Australia, and Spain, each reflecting strong trade deficit with the U.S. Belgium and Poland also figured prominently among the industrialised countries where the U.S. maintained a favourable trade balance. On the other hand, most Latin American and Caribbean nations registered a trade deficit with the US, with Argentina, Chile, and Brazil standing out as key contributors to this trend. The African continent, too, saw multiple nations grappling with trade deficits of varying magnitude, with South Africa registering the most pronounced shortfall. A broad assessment of 53 nations reveals that a significant portion of these countries hail from Europe and Latin America and the Caribbean. Notwithstanding this, the U.S. holds more trade surplus partnerships than deficit-bearing ones. However, the persistent and extensive trade deficit with several economies across the globe suggests the possibility of underlying

Figure 3.3: The U.S. Trade Surplus with Key Trade Surplus Partners: Share in Overall U.S. Deficit, %

Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

Note: The size of the circle refers to the share in the trade deficit of the US, the name of the countries are denoted by 3-digit ISO and figures represent the share of a trade partner in the overall trade deficit of the US.

While 2023 showed slight improvements in the U.S. trade balance compared to the preceding year, the country remained under significant strain due to the unsustainable levels of its Current Account Deficit and dwindling foreign exchange reserves.

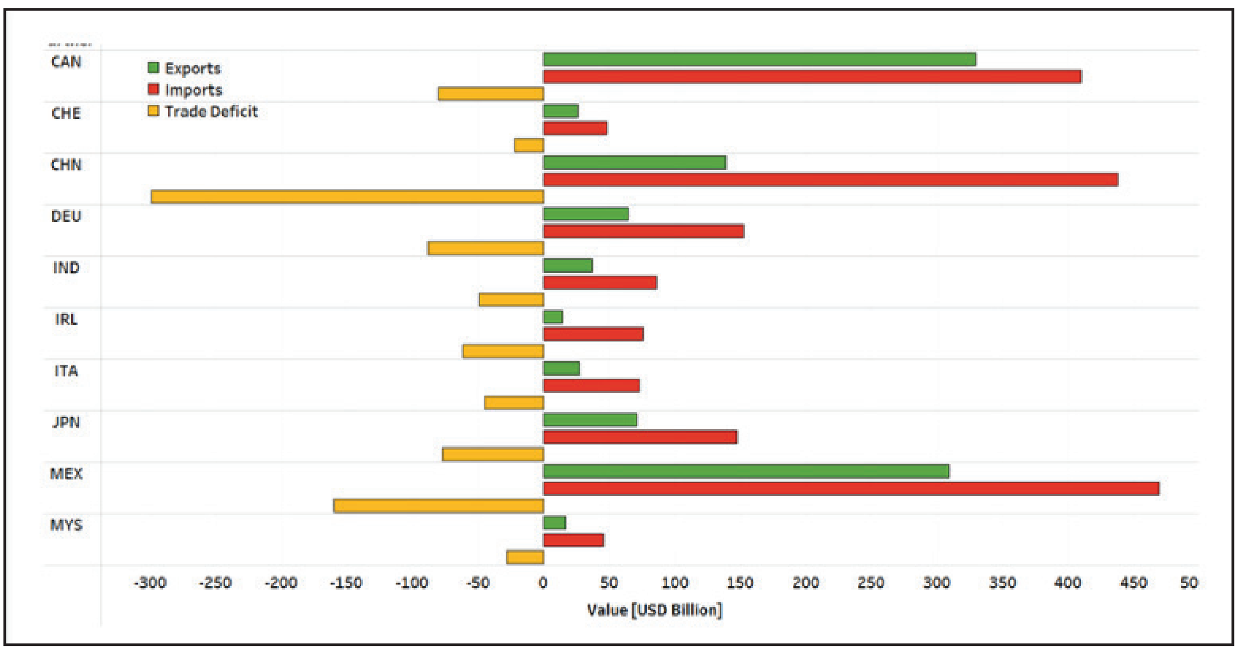
structural imbalances, warranting a deeper and more comprehensive investigation.

Trade Flows, Deficits and Comparative Sectoral Trade

A key principle in trade analysis is the necessity of keeping the trade deficit-to-total trade ratio low. This ensures that the relative trade deficit declines as bilateral trade expands, reflecting a healthier balance between exports and imports. A decreasing trade deficit ratio suggests that exports are financing a larger share of total bilateral imports, thereby narrowing the trade gap. While a substantial trade deficit with major trading partners may raise concerns for an importing country, it is the relative ratio, rather than the absolute deficit, that holds greater significance.

In this context, Canada, Mexico, Germany, and China were among the trade surplus partners with the largest absolute trade deficits with the U.S. in 2023, each exceeding $80 billion as shown in Figure 3.4. In contrast, countries such as Chile, India, Italy, and Malaysia recorded relatively modest trade surpluses, each below the $50 billion mark. Ireland and Japan occupied an

Figure 3.4: Trade Flows and Trade deficit: Is there any link?



Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

China retained its position as the U.S.'s largest trade deficit partner, responsible for over 30 per cent of the total trade deficit.

Nature of trade with Mexico and Canada was much better than China and Germany considering the trade deficit ratio.

intermediate position, with bilateral trade deficits ranging between $50 billion and $80 billion.

When assessing trade deficits relative to overall bilateral trade, distinct patterns emerge. Canada and Mexico exhibited considerably larger trade surpluses with the U.S. than traditional surplus economies like Germany and China. Mexico's total trade with the U.S. stood at $777.9 billion in 2023, with a trade surplus constituting 20.6% of total trade. By comparison, the trade deficit-to-total trade ratios for Canada, Germany, and China were recorded at 10.9%, 40.8%, and 51.9%, respectively. This shows that nature of trade with Mexico and Canada was much better than China and Germany considering the trade deficit ratio.

Among countries with moderate trade surpluses, Japan maintained a surplus ratio of 35.2%, while Ireland had an exceptional 68.8% surplus, albeit with a lower trade volume. India, classified as a minor trade surplus country, registered a surplus ratio of 39.9%, lower than Italy and Malaysia but surpassing Chile. Countries with high trade deficit ratios (45% and above) vis-à-vis the U.S. included China, Ireland, Italy, and Malaysia. However, countries with low trade surpluses comprised Canada, Chile, India, and Malaysia. China and Germany were categorised within the mid-range trade deficit ratio bracket, with deficits between 40% and 45%.

Pattern of Sectoral Deficit of the U.S. with its Trade Surplus Partners

The issue of trade deficits becomes even more pronounced when examined at the sectoral level, particularly in comparison to the United States' major trading partners. The extent of the trade surplus or deficit varies significantly across sectors and differs from one surplus country to another. Interestingly, there was no single sector in which the U.S. consistently maintained either a trade surplus or a trade deficit with all its major trading partners. In 2023, the U.S. enjoyed a trade surplus across multiple sectors with Canada, Mexico, and Japan, as illustrated in Table 3.1. However, while the U.S. has maintained a relatively strong position in agricultural and mining trade, its performance in the manufacturing sector has been comparatively weaker (Refer details of exports, imports, Appendix I).

There was no single sector in which the U.S. consistently maintained either a trade surplus or a trade deficit with all its major trading partners.

Within the agricultural sector, the U.S. recorded a substantial trade surplus in animal products and fruits and vegetables with several of its key partners. On the other hand, it experienced trade deficits in fats and oils, as well as the prepared food sector. Notably, the U.S. maintained a strong surplus in animal products with China, Germany, and Japan but faced a significant deficit with Canada. In the fruits and vegetables sector, it registered a trade surplus with Canada, China, Germany, and Japan but suffered a large deficit with Mexico. Meanwhile, in the prepared food sector, the U.S. consistently recorded trade deficits, particularly with Canada, Mexico, and Italy.

In the mineral sector, the U.S. held a substantial trade surplus with its selected trading partners. With some of these partners such as China, Germany, Italy, and Mexico, the U.S. struggled with comprehensive trade deficits across multiple manufacturing sectors. However, countries that enjoy a significant trade surplus with the U.S. often specialise in specific industries, making it challenging for the U.S. to find alternative sources in the medium term. Canada remains indispensable in agriculture, mineral fuels, and base metals; Chile excels in chemicals and precision instruments; India dominates textiles and gems and jewellery; Ireland is a key player in chemicals and precision instruments; Japan holds expertise in machinery and automobiles; Mexico is crucial for processed food, machinery, automobiles, precision instruments, and miscellaneous manufacturing; and Malaysia is a key supplier in machinery.

Canada and Mexico, in particular, have emerged as critical trade partners, each playing a unique and complementary role in the U.S. economy rather than directly competing with one another.

Canada and Mexico, in particular, have emerged as critical trade partners, each playing a unique and complementary role in the U.S. economy rather than directly competing with one another. The sectoral analysis highlights that the U.S. remains heavily reliant on these surplus trade partners in key industries such as machinery, automobiles, and precision instruments. While the country appears to have lost its historical dominance in the manufacturing sector, it continues to maintain a strong foothold in select areas of agriculture. Addressing the structural imbalances in U.S. foreign trade will require a long-term approach to restore its competitiveness on the global stage.

Table 3.1: Sectoral Trade Balance of the U.S. with Its Top Trade Surplus Partners

($ Billion)

1. Live Animals and Animal Products	-5.7	-0.1	3.4	-0.3	-2.2	-0.6	-0.6	3.6	3.3	0.1
2. Vegetable Products	2.2	-1.1	19	1.8	-0.6	0	1.1	5.9	-8.6	0.3
3. Animal or Vegetable Fats & Oils	-5.1	0	-0.8	-0.1	-0.2	0	-0.8	-0.1	0.1	-0.3
4. Prepared Foodstuff, Beverages, etc.	-2.4	-0.5	-0.2	-1.4	-1.1	-0.4	-5.7	1.2	-13.1	-0.2
5. Mineral Products	-102	0.4	20.5	5.6	5.8	1.2	4.5	12	21.2	0.3
6. Products of Chemicals	5.1	-15	0.4	-16	-12	-56	-5.9	0	16.2	0.5
7. Plastics & Articles thereof	3	-0.2	-15	-2.9	-0.3	0.2	-0.7	-3.3	12.8	-0.8
8. Raw Hides & Skins, Leather, etc.	0.6	0	-2.6	-0.1	-0.7	0	-2	0.1	0.1	0
9. Wood & Articles of Wood	-9	0	-0.9	-0.9	-0.2	0.1	-0.1	0.8	0.3	-0.3
10. Pulp of wood or of other Fibers	-1.6	0	-2.8	-0.6	0.4	0.1	-0.1	0.7	3.5	0.1
11. Textile & Textile Articles	3	0	-26.4	-0.5	-9.6	0.1	-2.6	-0.4	0.6	-0.1
12. Footwear, Headgear and Umbrella	0.6	0	-13.7	-0.4	-0.5	0	-2.4	0.1	-1	0
13. Articles of Stone, Plaster, Cement	1.9	0	-5	-0.1	-1.4	0	-1.6	-0.4	-2.5	-0.1
14. Natural or cultured pearls, Jewellery	-3	6.4	0.4	0	-6.9	0	0.3	1.6	-4.7	0.4
15. Base Metals & Articles of Base Metal	-11.8	-0.4	-19.7	-5.9	-2.8	0.2	-2.9	-4	7.7	1.4
16. Machinery & Mechanical Appliances	40.4	-3.9	-187	-33	-14	0.2	-14	-45	-69.8	-25
17. Vehicles, Aircraft and Vessels	-5.5	-0.6	-9.7	-27	-2.1	0.1	-7.2	-49	-103	-0.2
18. Optical, Photograph & Cinematography	6.2	-8.4	-1.4	-5.3	1.1	-7.3	-1.5	-0.2	-12.2	-2.6
19. Arms and Ammunition	0.3	0	-0.2	-0.1	0	0	-0.4	0.5	0	0
20. Miscellaneous Manufactured Articles	2.2	-0.1	-57.2	-0.9	-1.7	0	-2.2	-0.6	-11.7	-2.2
21. Works of Art Collectors' Pieces	0	1.5	0	-0.3	0.1	0	-0.6	0	0	0

Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

Anticipated U.S. Tariff Strategy toward India

The trade war under the Trump administration primarily centred on raising tariffs on select products and sectors. Empirical observations suggest that technology-intensive products formed the cornerstone of trade protectionism during the Trump 1.0 regime. If the current trade framework follows the precedent set by the previous administration in executing trade policies, the implications of the present U.S. tariff strategies on India could closely resemble those experienced under the Trump 1.0 regime from 2017 to 2021.

Low-technology products faced significantly higher tariffs, whereas high-technology products enjoyed minimal tariff burdens.

Making an accurate assessment of tariff profiles in the U.S. proves challenging due to the lack of updated tariff-related data in recent years. The Import-Weighted Tariff (IWT) of the U.S. experienced a noticeable decline after 2019, coinciding with the height of the US-China trade war. When analysing the IWT of the U.S. in relation to India—using India's bilateral imports as a weight, three distinct levels of tariffs for technology-intensive products emerged during the period 2018-21 as shown in Table 3.2. At one extreme, low-technology products faced significantly higher tariffs, whereas high-technology products enjoyed minimal tariff burdens. Medium-technology, low-technology intensive, and resource-based agricultural products experienced moderate tariff levels.

The IWT for low-technology products gradually decreased from 7.2% in 2018 to 6.5% in 2021. For medium-technology products, the IWT consistently remained over ten times higher than that of the high-technology category, with moderate tariffs on resource-based agricultural goods maintaining relative stability throughout. While tariffs for medium-technology, low-technology intensive products, and resource-based agricultural goods trended downward, the high-technology product group remained

Table 3.2: Import Weighted Tariff of the U.S. on India, 2018-21

(in %)

Year	Primary Product	Resource Based Agro Product	Low Technology Intensive Product	Medium Technology intensive Product	High Technology Intensive Product
Simple Average Tariff					
2018	3.1	3.5	5.5	3.3	1.1
2019	3.1	3.5	5.6	3.3	1.0
2020	3.1	3.5	5.5	3.3	0.9
2021	3.0	3.4	5.5	3.3	1.0
Import Weighted Tariff					
2018	2.0	2.0	7.2	2.2	0.2
2019	2.3	2.2	7.0	2.2	0.2
2020	2.7	2.3	6.7	2.1	0.2
2021	2.3	2.0	6.5	2.0	0.2

Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

virtually unchanged over the same timeframe. To summarise, during the first Trump administration, tariff rates followed a declining trajectory. It is, therefore, reasonable to anticipate that a potential second Trump administration might adopt a similar approach, avoiding tariff increases to sustain and enhance the growing prominence of the U.S. economy through trade.

4

Assessing India's Concerns Over U.S. Trade Measures

Concerned about the widening trade imbalances with major economies, the administration has highlighted the need for corrective action to curb these adverse trends.

India has actively engaged with the Trump administration 2.0, seeking to resolve trade and socio-economic frictions between the two nations through diplomatic negotiations. Following his assumption of office, President Trump has pursued an assertive trade policy, adopting stringent measures against trading partners perceived to have inequitable trade arrangements with the U.S. Concerned about the widening trade imbalances with major economies, the administration has highlighted the need for corrective action to curb these adverse trends. Beyond trade, pressing social concerns such as illegal migration and illicit drug trafficking remain high on the administration's agenda, necessitating stringent regulatory interventions. Of particular concern to the global economic order is the evolving approach to immigration enforcement, as demonstrated in recent cases involving migrants from various countries, including India. Given the U.S.' mounting trade deficit with India and the presence of undocumented Indian migrants, India remains apprehensive about potential retaliatory measures from the US.

India's trade surplus with the U.S. has followed a rising trajectory over the past two decades, though it remains modest compared to several other trading partners (Dash, 2013). The growth of this surplus displayed moderate momentum during periods of global economic buoyancy and the early phases of the global recession. However, a significant shift occurred between 2016 and 2023, as the surplus expanded robustly at an average annual growth rate of 6.5 per cent. This period, deeply marked by the global recession's lingering impact, saw India's bilateral trade surplus undergo a distinct transformation, outpacing its performance during previous phases of economic stability and recession.

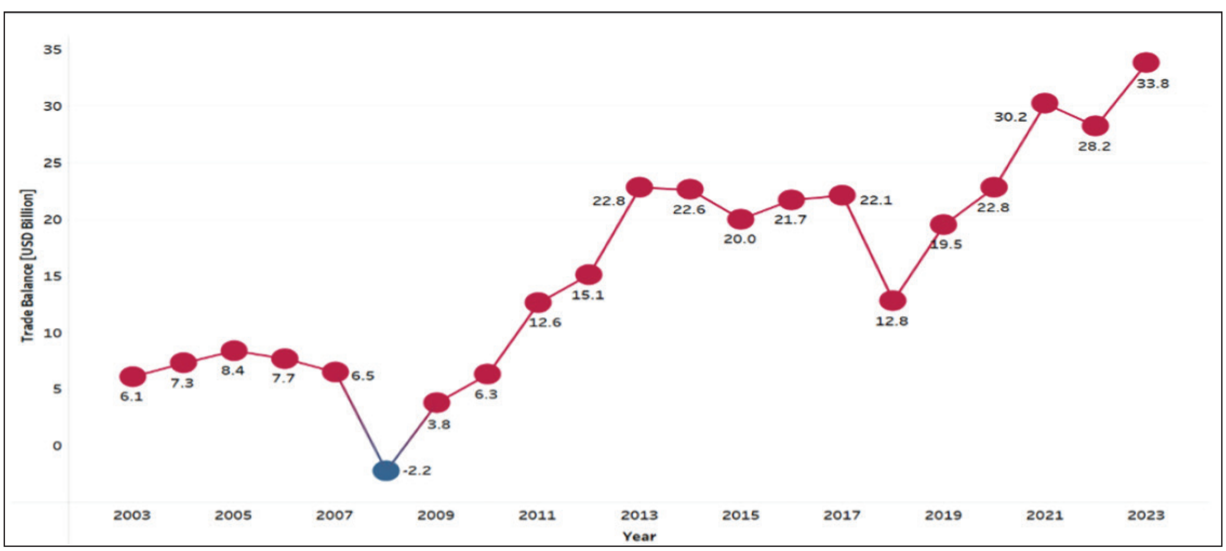
Why is India to be targeted?: Is it a trade surplus issue?

During the entire transition from global buoyancy to recessionary phases, India consistently maintained a trade surplus, with the singular exception of 2008 as shown in Figure 4.1. The country's trade surplus witnessed notable dips during three specific years: 2008, 2018, and 2022. Furthermore, there were periods of stagnation in the level of trade surplus, particularly during two distinct phases, 2003–2007 and 2013–2017. Despite these intermittent setbacks, India's trade surplus with the U.S. experienced an extraordinary rise, increasing more than five and a half-fold between 2003 and 2023. This remarkable growth was especially pronounced during two periods: 2009–2013 and 2019–2021. Interestingly, the trade balance surged both before and after the COVID-19 pandemic—a coincidence rather than a causal relationship.

The trade balance surged both before and after the COVID-19 pandemic—a coincidence rather than a causal relationship.

Under the Trump administration, a sharp decline in the level of India's trade surplus with the U.S. was recorded in the second year of his presidency, notably in 2018. However, this downturn was short-lived, and

Figure 4.1 India's Trade Surplus with the US, $Bn



Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

The impulsive actions of a potential Trump 2.0 administration may lose momentum once trade retaliations from major U.S. trading partners begin to surface.

India’s bilateral trade surplus with the U.S. began a consistent upward trajectory until the conclusion of Trump’s tenure in 2021. This emphasises the idea that structural transformations in trade dynamics often require significant time, even amid a tightened trade policy environment. A similar pattern unfolded under the Biden administration, repeating the trends observed during Trump’s presidency. During the first year of Biden’s tenure, India’s trade surplus with the U.S. surged significantly, marking a period of robust gains. However, this upward trajectory was short-lived, as the surplus experienced a sharp downturn in the second year, only to rebound spectacularly in the subsequent phases of his trade policy regime.

The impulsive actions of a potential Trump 2.0 administration may lose momentum once trade retaliations from major U.S. trading partners begin to surface. In the short run, India could face some repercussions, given the high concentration of its export basket to the U.S. Notably, in 2023, India’s exports to the U.S. remained heavily skewed, with only nine products surpassing the billion-dollar mark individually. These products, spanning the primary, mineral, and manufacturing sectors, collectively accounted for $36 billion out of the $75.9 billion in total bilateral exports. In the primary sector, India faced a significant bilateral trade deficit of $12.5 billion, driven largely by imports in the mineral segment, although it enjoyed a favourable trade balance of $3.6 billion in agricultural goods. Within the manufacturing sector, India maintained a strong trade surplus of $36.8 billion, encompassing both intermediate and finished goods.

New policy shifts may cause temporary setbacks in the short term, but these are often counterbalanced in subsequent years. This resilience stems from the proactive responses of affected countries, which include measures such as unilateral tariff hikes, appeals to the WTO’s dispute settlement mechanisms, and other strategic interventions. These efforts have proven instrumental in mitigating the adverse impacts of U.S. trade policies, ultimately tempering the pressures exerted by the U.S. administration.

Indeed, it is not the benevolence of the U.S. that underpins its extensive imports; rather, its unwavering pursuit of national self-interest compels it to source a diverse array of goods from every corner of the globe.

When an exporting nation positions more of its products among the top-tier U.S. import items, it can earn enhanced export revenues and thus sustain a considerable trade surplus with the U.S.

Why is India a lesser Evil than China for the US?

Under Trump 2.0, the U.S. has begun implementing policy actions against countries with whom it runs significant trade deficits, often alleging that these countries are responsible for its persistent trade imbalance. Such a line of reasoning, however, proves to be a misinterpretation when compared against the realities encountered by numerous countries across the globe. Indeed, it is not the benevolence of the U.S. that underpins its extensive imports; rather, its unwavering pursuit of national self-interest compels it to source a diverse array of goods from every corner of the globe. Yet, the U.S. appears disinclined to differentiate between its allies and competitors in the trade arena, opting instead to inflict measures that may cause injury to its partners in direct proportion to the perceived threats they pose. The scale of these trade actions, while perhaps not exactly commensurate with the injuries inflicted by its trade partners, nonetheless approximates a similar magnitude. By conventional wisdom, one might anticipate that China will face comparable trade actions from the U.S., serving as the example of a country that has not only amassed the largest trade surplus but also witnessed a steady expansion in bilateral trade since its accession to the WTO.

The U.S. has long grappled with a substantial trade deficit with the global market, prompting the Trump administration 2.0 to implement trade action to address external sector imbalances. In such circumstances, identifying the commodities that play a pivotal role in widening the U.S. trade gap is of paramount importance. Among these, significant import items stand out, especially those whose values exceed the billion-dollar mark. Within this group, some commodities prove to be more vulnerable, given the high import volumes they command. A nation achieves a notable trade relationship with the U.S. and even garners a trade surplus by exporting a diverse range of these key import items and holding a dominant market share. When an exporting nation positions more of its products among the top-tier U.S. import items, it can earn enhanced export revenues and thus sustain a considerable trade surplus with the U.S. However, a nation enjoying a disproportionately large trade surplus may find itself facing stringent policy

India holds a modest share in the high-ranking import segments while commanding a larger presence in the lower-tier products among the US's top imports from the world.

In the realm of high-value U.S. imports from around the globe, China has distinguished itself as a leading supplier, consistently ranking among the top providers of these coveted products.

action aimed at curbing its excess advantage against the U.S.

In Table 3, India is compared with China by examining the differences in their trade surpluses vis-à-vis the United States and exploring the reasons behind these variations as reflected in their trade structures in the U.S. market. This empirical analysis of the U.S. market differences between India and China is undertaken to understand why policy actions are poised to impact China directly, rather than India. India's trade data for 2023 revealed that, among the top 475 import items of the U.S. from the world, it exported 124 distinct products at 6-digit HS. These products collectively accounted for $45.7 billion, representing over 60% of India's total bilateral exports to the United States. The export profile indicates that India holds a modest share in the high-ranking import segments while commanding a larger presence in the lower-tier products among the US's top imports from the world. Although India's share and the number of products in the high-ranking U.S. import category are relatively limited, these select products yielded substantial export proceeds. Specifically, within the highest-ranking imports, India exported only 8 from the total of 20 products, generating export proceeds of $21.7 billion, almost 47.5% of its total exports to the United States. In contrast, in the lower-ranking segments of the US's global imports, India's export proceeds experienced a significant decline. This observed trade pattern suggests that India might benefit from strategically targeting products that hold a higher ranking among the US's global imports.

In the realm of high-value U.S. imports from around the globe, China has distinguished itself as a leading supplier, consistently ranking among the top providers of these coveted products. As demonstrated in Table 4.1, China's market share within these product categories exhibits notable variation. According to the magnitude of U.S. imports from the world, products have been divided into five broad categories, while China's export share to the U.S. is further segmented into six distinct groups. The data presented on China's export penetration across key product categories clearly reveals that its presence in the U.S. market is profoundly entrenched. In 2023, among the top 475 products imported by the U.S. from global markets, China exported 338 items, representing more than 71% of the total in this category. Moreover,

Table 4.1: Export share of India and China in Top ranking imports of the U.S. from the world

US imp Rank	Number of Products (No)							Value ($Bn)						
India														
	50 & above	20-49	10-19	5-9	1-4	1>0	Total	50 & above	20-49	10-19	5-9	1-4	1>0	Total
1-20			2	2	1	3	8			12.5	8.3	0.6	0.3	21.7
21-50		1			6	7	14		2.6			1.7	0.7	5
51-100				6	17		23				2.7	2.5		5.2
101-200			8	7	19		34			3.1	1.6	1.9		6.6
201-475	1	3	8	31	2		45	0.8	1.5	1.3	3.4	0.2		7.2
Total	1	4	18	46	45	10	124	0.8	4.1	16.9	16	6.9	1	45.7
China														
	Number of Products (No)							Value ($Bn)						
1-20	2	2		5	2	4	15	49.2	60.7		10.3	1.9	1.1	123.2
21-50	3	2	4	4	7	1	21	30.8	6.2	9.5	4.5	2.2	0.1	53.3
51-100	1	10	7	14	5		37	3.3	18.1	6.1	6.4	0.7		34.6
101-200	8	17	24	10	13		72	21.4	16.2	10.6	2.4	1.4		52
201-475	28	58	57	48	2		193	31.1	27.3	12.1	5.2	0.2		75.9
Total	42	89	92	81	29	5	338	135.8	128.5	38.3	28.8	6.4	1.2	339

Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

China is likely to face direct policy measures, whereas India might remain largely unhurt due to its comparatively modest export share to the U.S.

of the top 20 global import items in the US, China was responsible for exporting 15, classified at the 6-digit Harmonized System level. Owing to their high ranking, these 15 products generated export proceeds of $123.2 billion, constituting 36.4% of a total of $339 billion in exports exclusively from the top 475 U.S. import products. Across each of these broad product categories, both the number of products and the corresponding export proceeds from China considerably surpassed those of India. This disparity explains why U.S. imports from China significantly outweigh those from India. Consequently, if policy actions were to target these top U.S. import items, China would be considerably more vulnerable than India. In this context, India's export proceeds represent a mere 13.5% of those of China for the US's top 475 imported products. Thus, should the Trump administration initiate trade policy actions, China is likely to face direct policy measures, whereas India might remain largely unhurt due to its comparatively modest export share to the U.S.

The U.S.' recently discovered prowess in the export of mineral fuels, a sector that has witnessed remarkable growth in recent years.

Why Low Trade in the Intermediate Sector?

Amid the growing trade imbalances the U.S. faces in its engagement with the global economy, substantial expectations have emerged for the Trump administration to implement assertive and transformative corrective measures. Within the structural dynamics of the trade sector, there is a distinct focus on the end-use trade segment, where the promotion of both imports and exports of primary goods is deemed essential. This approach aligns with the U.S.' recently discovered prowess in the export of mineral fuels, a sector that has witnessed remarkable growth in recent years. Equally critical is the engagement in the trade of intermediate goods, encompassing semi-processed materials and parts and components (P&C), which are vital for sustaining industrial supply chains. While encouraging the export of final goods remains a priority, the import of finished consumer goods must be curtailed to the bare minimum. In this context, an analysis of India's trade linkages with the U.S. becomes both relevant and critical.

Beyond the primary sector, India achieved a trade surplus across all other major trade segments.

In 2023, bilateral trade between India and the U.S. reached an impressive $117.8 billion, with India importing goods worth $42 billion and exporting $75.8 billion as shown in Table 4.2. India's imports were valued at $42 billion, while exports reached $75.8 billion, resulting in a significant export surplus of $33.8 billion, a pattern consistent with India's historical trade dynamics with the U.S. Within the primary sector, however, the U.S. maintained a notable trade surplus, driven largely by its mineral fuel exports to India. U.S. exports in this sector amounted to $13.3 billion, leading to a sectoral surplus of $12.5 billion. Beyond the primary sector, India achieved a trade surplus across all other major trade segments.

Table 4.2: Trade Balance of India with the U.S. in End-Use sectors in 2023, $Bn

Sectors	Imports	Exports	Trade Balance
1. Primary goods	13.3	0.8	-12.5
2. Intermediate goods	19.7	32.9	13.2
3. Final goods	8.7	35.5	26.8
0. Others	0.3	6.6	6.3
Overall	42	75.8	33.8

Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

The final goods sector ranked second, encompassing 37.5% of bilateral trade, with a total trade value of $44.2 billion. This sector also recorded the largest sectoral trade surplus of $26.8 billion, contributing a striking 79.3% of India's overall trade surplus with the U.S.

The intermediate goods sector emerged as the largest contributor to trade activities, accounting for $52.6 billion, which represented 44.7% of the bilateral trade. In this segment, India maintained a trade surplus of $13.2 billion. The final goods sector ranked second, encompassing 37.5% of bilateral trade, with a total trade value of $44.2 billion. This sector also recorded the largest sectoral trade surplus of $26.8 billion, contributing a striking 79.3% of India's overall trade surplus with the U.S. However, given the pronounced trade deficit for the U.S. in this sector, it could become the most vulnerable target for potential punitive measures against India. Besides, a smaller trade segment, not classified under exclusive end-use categories as defined by the UN, accounted for 5.9% of bilateral trade. In this segment, India demonstrated an impressive trade surplus of $6.3 billion, representing a striking 95.5% of the sector's exports to the U.S., further highlighting India's strong trade positioning across diverse sectors.

Detailed Trade in End-Use Section

In the overall bilateral trade between India and the U.S. in 2023, India recorded a trade surplus of $33.8 billion, accounting for 28.7% of the overall trade between the two countries as shown in Table 4.3. In the trade of primary goods, the dynamics were predominantly skewed in favour of the U.S., with a sectoral trade balance amounting to 88.7% of the total trade in this category. This one-sided trade heavily underscored the US's dominance in the sector. Moving to the intermediate goods segment, semi-processed goods emerged as the focal point with $36.2 billion in sectoral trade, representing 68.8% of intermediate trade and contributing 30.7% to the overall bilateral trade. Within this segment, the trade surplus of India reached 21% of the total two-way sectoral trade. Trade in parts and components (P&C) amounted to $16.6 billion, constituting 14.1% of the intermediate trade segment. Trade in parts and components, valued at $16.6 billion and represented 14.1% of intermediate trade. Despite the relatively low volume, this category showed a significant surplus, amounting to 33.7% of total sectoral trade. India held an edge in this trade segment, posting a sectoral trade surplus of $5.6 billion.

Despite the relatively low volume, parts and components showed a significant surplus, amounting to 33.7% of total sectoral trade. India held an edge in this trade segment, posting a sectoral trade surplus of $5.6 billion.

Meanwhile, the final goods trade stood out as the largest component of the bilateral exchange, making

Table 4.3: Trade Balance of India with the U.S. in Parts & Components in 2023, $Bn

BEC	Imports	Exports	Trade Balance
1. Primary goods	13.3	0.8	-12.5
2. Semi-finished goods	14.3	21.9	7.6
3. Parts & components	5.5	11.1	5.6
4. Capital goods	5.7	8.8	3.1
5. Consumption goods	2.9	26.6	23.7
0. Others	0.3	6.6	6.3
Total	42	75.8	33.8

Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

up 37.5% of the total trade. The final consumer goods segment dominated this category, demonstrating India's significant export strength. The final capital goods segment, though smaller in scale, recorded a two-way trade value of $14.6 billion, which accounted for 12.4% of the bilateral trade and contributed 21.9% to India's overall trade surplus with the U.S. In comparison, India's trade surplus in two-way sectoral trade stood at a modest 21.9%.

Maintaining a sustainable edge in the final consumer goods sector could pose a critical challenge for India in its trade relations with the U.S. This segment was markedly one-sided, with India firmly in the driver's seat. India exported $26.6 billion out of a total bilateral trade value of $29.5 billion in final consumer goods, capturing over 90% of this trade segment. This subcategory alone accounted for one-fourth of the overall bilateral trade and two-thirds of the final goods trade. This segment alone generated a sectoral trade surplus of $23.7 billion, which constituted a remarkable 80.3% of the final goods trade and 70.1% of India's overall trade surplus with the U.S. in 2023. In the intermediate goods segment, the parts and components subsector was relatively small but still contributed a surplus of $5.6 billion.

Maintaining a sustainable edge in the final consumer goods sector could pose a critical challenge for India in its trade relations with the U.S. This segment was markedly one-sided, with India firmly in the driver's seat.

Advantage in Final Consumer Goods Exports

Consumer final goods play a crucial role in the trade strategies of deficit nations seeking to address growing imbalances with partner countries. India, a key player in this domain, maintains substantial exports to the U.S., with trade in this sector spanning a wide range of commodities. However, India's export focus within this

India's export focus within final consumer goods sector remains concentrated in select products. In 2023, 44 products classified under the 6-digit HS code accounted for 75.9% of India's final consumer goods exports to the U.S.

sector remains concentrated in select products. In 2023, 44 products classified under the 6-digit HS code accounted for 75.9% of India's final consumer goods exports to the U.S., as shown in Table 4.4. These exports totalled an impressive $20.2 billion, contributing 26.6% to India's total exports to the U.S. that year.

Table 4.4: Top Final Consumer Products exported from India to the US, $Mn

HS	Description	Exports, $Mn	Share (%)	Cumulative (%)
300490	Medicaments, mixed or unmixed products	6462.2	21.9	21.9
711319	Other precious metals	2831.5	9.6	31.5
030613	Shrimps and prawns	1811.5	6.1	37.6
630260	Toilet linen and kitchen linen, of	702.5	2.4	40.0
630419	Bedsheets and bedcovers, of cotton	519.9	1.8	41.8
160520	Shrimps and prawns	475.8	1.6	43.4
610910	T-shirts, singlets and other vests	422.7	1.4	44.8
300420	Containing other antibiotics	420.1	1.4	46.3
630492	Not knitted or crocheted, of cotton	356.2	1.2	47.5
630231	Bed linen of cotton	337.4	1.1	48.6
100630	Semi-milled or wholly milled rice	332.7	1.1	49.7
392690	Articles of plastics & other materials	330.5	1.1	50.9
711311	Of silver, whether or not plated or	324.8	1.1	52.0
940360	Other wooden furniture	324.6	1.1	53.1
620442	Women's or girls' suits, jackets, etc.	291.6	1.0	54.0
940490	Bedding and similar furnishings	280.7	1.0	55.0
620520	Men's or boys' shirts, of cotton	257.4	0.9	55.9
611120	Babies' garments, accessories	241.1	0.8	56.7
300410	Containing penicillin or derivative	192.3	0.7	57.3
620630	Women's or girls' blouses, shirts, etc	191.9	0.7	58.0
610990	Of other textile materials	191.6	0.6	58.6
210690	Food preparations, other	176.5	0.6	59.2
570110	Of wool or fine animal hair	159.5	0.5	59.8
620443	Of synthetic fibres	158.0	0.5	60.3
610510	Men's or boys' shirts, knitted	153.5	0.5	60.8
040900	Natural honey	143.4	0.5	61.3
640391	Footwear, outer soles covering ankle	140.4	0.5	61.8
420222	With outer surface of plastic sheet	133.4	0.5	62.2

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570390	Of other textile materials	133.1	0.5	62.7
620462	Of cotton	128.0	0.4	63.1
90420	Fruits of the genus Capsicum or of	126.3	0.4	63.6
940320	Other metal furniture	121.4	0.4	64.0
570500	Other carpets and other textile flo	120.9	0.4	64.4
570330	Of other manmade textile materials	118.9	0.4	64.8
621142	Of cotton	118.6	0.4	65.2
620342	Of cotton	115.8	0.4	65.6
570310	Of wool or fine animal hair	112.6	0.4	66.0
732393	Of stainless steel	110.4	0.4	66.3
611420	Of cotton	109.7	0.4	66.7
420221	With outer surface of leather, of c	107.5	0.4	67.1
620449	Of other textile materials	104.6	0.4	67.4
640319	Sports footwear with outer soles	104.0	0.4	67.8
621143	Of manmade fibres	102.4	0.3	68.1
	Total	20097.8	68.1	

Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

India's exports in the final consumer goods sector were dominated by 44 commodities, which collectively made up 70.9% of the total.

India's exports in this sector were dominated by 44 commodities, which collectively made up 70.9% of the total. Among these six products originated from the agricultural sector, each belonging to distinct HS sections. This diversification makes it difficult for the U.S. administration to target or restrict imports from any single HS section within this segment.

The pharmaceutical sector emerged as India's largest export segment, followed closely by gems and jewellery. The textile industry offers significant potential for India to further expand its exports to the U.S. Other major exports included plastic articles, leather and hides, footwear, base metals, particularly iron and steel articles, and miscellaneous manufactured goods such as furniture and mattresses.

India achieved a substantial trade surplus of $26.8 billion in the final goods sector, with the consumer goods segment playing a critical role. Exports of final consumer goods reached $26.6 billion, generating a trade balance of $23.7 billion, which accounted for over 70% of India's total bilateral trade surplus in 2023. A select group of 12 products contributed $15 billion to this segment, underlining their strategic significance in India-U.S. trade.

Any trade actions targeting these products or broader sectors such as pharmaceuticals, gems and jewellery, fisheries, and made-up textiles could significantly affect India's market access in the U.S. Further, if the U.S. enforces trade restrictions on high trade surplus trade partners like China, Germany, Japan, South Korea, and Mexico, India may face indirect consequences. In particular, measures against China, Canada, or Mexico could have a cascading impact on India's exports, even if India is not directly targeted.

India's consumer goods segment is increasingly vulnerable to trade scrutiny, given that the country recorded its largest trade surplus with the U.S. in 2023. The trade balance tilted significantly in India's favour, with imports from the U.S. amounting to $2.9 billion, while exports soared to $26.6 billion. That year, India imported 338 items and exported 748 products, demonstrating a concentration in consumer goods exports. The top four products accounted for 40% of the segment, while the top 23 contributed 60%. Notably, exports of 44 items exceeded $100 million each in 2023, with three surpassing the billion-dollar mark, two crossing half a billion, six exceeding $300 million, and the remaining 33 falling within the $100 million–$300 million range.

These high-value exports of India were largely from critical sectors such as precious metals, shrimp, textiles, pharmaceuticals, and milled rice, together comprising over 52% of the final consumer goods export portfolio.

These high-value exports were largely from critical sectors such as precious metals, shrimp, textiles, pharmaceuticals, and milled rice, together comprising over 52% of the final consumer goods export portfolio. The 44 key products spanned 17 trade chapters, including six agricultural and 38 manufacturing items. The textile sector, which accounted for 23 of these products, is likely to be a prime target for U.S. trade actions. Furthermore, the evolving trade environment may impose restrictions on high-value items, particularly within the pharmaceuticals, fisheries, and jewellery sectors. If trade measures extend beyond product-specific restrictions, entire sectors such as chemical products, made-up textiles, and wood pulp, may also face scrutiny.

If product-specific trade actions are enforced, the pharmaceuticals, fisheries, and gems and jewellery sectors will be the most affected. However, broader restrictions could pose a larger threat, impacting pharmaceuticals, gems and jewellery, textiles, and fisheries, potentially disrupting these vital industries.

India's Top Exports Shared by the Top Suppliers of the U.S.

Understanding India's major consumer goods exports to the U.S. and how other significant trade surplus economies to the U.S. interact with these commodities is crucial. Among India's diverse exports to the US, 44 key final consumer goods hold prominence in the sector as shown in Table 4.5. The U.S. may scrutinise some of these products closely, as they are also exported by other major trade surplus countries, contributing to the U.S.

Table 4.5: Important consumer goods imports of the U.S. from India: participation of other suppliers

($Mn)

HS		CAN	CHN	DEU	IND	JPN	KOR	MEX	WLD
030613	Shrimps and prawns	14.4	0	0.3	1923.3	0	0.2	197.5	4935.8
040900	Natural honey	17.1	0	2.9	161.1	0	0	25.1	584.7
090420	Fruits of the genus Capsicum	0.3	103.9	2.1	127.5	0.9	5.4	124.6	562.9
100630	Semi-milled or wholly milled rice	20.1	44.7		360.2	13.2	8.8	1.8	1334.6
160520	Shrimps and prawns	13.5	22.9	0.5	504.2	0.3	2.3	2.6	1730.8
210690	Food preparations, other	1022.9	358.4	178	120	60.3	80.7	229	6962.5
300410	Containing penicillin or derivative	31.1	21.1	11.7	181.8	0	0	0	522.3
300420	Containing other antibiotics	1359.9	194.5	21.6	476.8	49.8	1.5	0	2823.9
300490	Medicaments	2729.4	4144	4596.3	9168.4	2850.1	42.5	584.8	69276.9
392690	Articles of plastics & other materials	829.1	4202.5	486.3	84.5	386.1	219.8	1840.3	11029.2
420221	With outer surface of leather	1	81	0.6	76.7	2.1	1.6	58.8	2414
420222	With outer surface of plastic sheet	0.6	319.7	0.7	40.1	3.4	13	11.5	1616.2
570110	Of wool or fine animal hair	0	2.9	0.5	181.4	0	0.1	0.1	310.1
570310	Of wool or fine animal hair	1.1	17	0.9	116.8	0	0	0.2	163.9
570330	Of other manmade textile materials	28.2	113.4	0.4	118.5	0.1	0.3	87.4	510.2
570390	Of other textile materials	0	16	0.1	101.4	0.1	0	0	163.6
570500	Other carpets and other textile	0.2	117.8	2.9	106.5	0.3	0.3	1.2	255.7
610510	Men's or boys' shirts, knitted	1.6	44.9	0.1	212.6	0.6	0.5	7.7	1044.4

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610910	T-shirts, singlets and other vests	8.2	277.3	0.7	368	7.4	4.2	305.4	4881.1
610990	Of other textile materials	3.1	307.7	0.2	21.5	0.7	9.5	166.7	2050
611120	Babies' garments, accessories	0	239.1	0	256.2	0	0.7	2.9	1239.5
611420	Of cotton	0.2	82.4	0	25.9	0.2	0.1	20.8	420.3
620342	Of cotton	3.8	296.1	0.3	123.2	13.3	0.4	748.9	4597.3
620442	Women's or girls' suits, jackets, etc.	0.7	142.6	0.8	364.2	0.9	0.5	1.8	853.7
620443	Of synthetic fibres	14.7	538.1	1.1	126.8	1.2	0.3	4	1155.6
620449	Of other textile materials	9.3	113.2	0.7	45.6	0.4	0.1	0.1	398.8
620462	Of cotton	0.6	650.9	0.8	116	12	0.7	133.7	3894.1
620520	Men's or boys' shirts, of cotton	2.3	138.8	0.3	262.4	3.3	3.3	27.7	1994.4
620630	Women's or girls' blouses, shirts, etc.	0.5	86	0.2	260.4	2	0.5	6	754.4
621142	Of cotton	1.1	88.6	0.1	125.6	0.6	1.4	10	426.5
621143	Of manmade fibres	9	307	0.2	80.2	0.6	1.5	73.1	921
630231	Bed linen of cotton	0.2	189.8	1.2	761.8	0.1	0	0.2	1331.7
630260	Toilet linen and kitchen linen, of	3.2	394.5	0.2	905.8	0.6	0.4	2.2	2129.4
630419	Bedsheets and bedcovers, of cotton	0.3	40.4	0	45.3	0.1	0	0.1	114.4
630492	Not knitted or crocheted, of cotton	0.1	58	0.2	68.3	0.1	0	0.2	161.7
640319	Sports footwear with outer soles	0.4	43.9	2.4	0.8	0.2	0.1	1.4	115.8
640391	Footwear, outer soles covering ankle	9.1	1082	5.9	152.5	0.2	0.2	204.1	3897
711311	Of silver, whether or not plated	7.6	197.8	7.8	342.9	1.2	0.9	39.5	1611.5
711319	Other precious metals	127.2	240.3	53.3	2635.2	31.5	147.8	216.4	11139.1
732393	Of stainless steel	6	1831.8	3.3	169.8	2.6	5.4	7	2214.8
940320	Other metal furniture	632.9	2846.2	61.1	157.2	6.2	64.2	950.9	6806
940360	Other wooden furniture	416.8	1172	57.5	337.8	3.3	6.4	479.8	6684.5
940490	Bedding and similar furnishings	51.4	2126.1	5.7	312.3	2.3	6.3	157.6	3009.8

Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

Note: India's Key Exports of Consumer Goods to the U.S. and Major Competing Exporting Countries

India's principal final consumer goods exports face the greatest competitive pressure from China and, to a lesser degree, from Canada and Mexico.

trade deficit. However, if certain countries do not export these goods to the US, the risk of punitive trade actions diminishes, reducing potential threats to India's trade interests. In this context, seven countries, including India, have been identified as having substantial trade surpluses with the U.S. and were part of the targeted watch group under the Trump administration. Apart from India, these countries include Canada, China, Germany, Japan, South Korea, and Mexico.

India's principal final consumer goods exports face the greatest competitive pressure from China and, to a lesser degree, from Canada and Mexico. Trade actions involving Germany, Japan, and South Korea are less likely to impact India, as their export product baskets do not significantly overlap with India's in the U.S. market. Of the 44 significant consumer goods India exports to the US, a notable export share can be observed in two products with Canada, five with Mexico, and 25 with China. In the beverage sector, China and Mexico coexisted with India in competition, while Canada exhibited a strong presence in edible preparations. Specific products in categories such as leather, footwear, and gems & jewellery might face heightened trade action due to China's dominance in these segments. Similarly, in textiles and apparel, India faces formidable challenges from China, while Mexico emerges as a major supplier in certain product categories.

India, China, and Mexico also hold a strong foothold in furniture and mattresses within the U.S. market. Among the top 10 products—accounting for 48.6% of India's final consumer goods exports in the U.S. market—five faced no direct competition from the US's leading suppliers. In the remaining five products, China exhibits a significant presence in four of them, while Canada emerged as important in one. Sectors such as textiles, gems and jewellery, pharmaceuticals, and fisheries are particularly vulnerable to targeted trade actions due to their strategic importance and competitive positioning.

India's trade in technology-intensive sector

Globally tradable goods are categorised based on the level of technology embedded in the product, leading to variations in technological intensity across different product groups. Resource-based agro-products (RB) are typically more processed than primary products (PP) but less than that of low-technology-intensity products

Table 4.3: India's trade with the U.S. in technology-intensive sectors

($Bn)

Tech	2017	2018	2019	2020	2021	2022	2023
Imports							
1. Primary products	5.6	10.7	10.9	8.1	17.1	22.5	14.1
2. Resource Based Agro	5.2	12.5	10.6	8.2	12.2	14.8	8.7
3. Low technology	1.7	2.0	2.0	1.1	1.3	1.6	2.9
4. Medium technology	7.4	9.5	7.9	6.2	7.3	8.4	11.0
5. High technology	3.8	4.1	3.4	2.8	3.5	4.2	5.3
Exports							
1. Primary products	4.4	4.4	4.4	3.9	4.9	4.7	4.2
2. Resource Based Agro	12.9	15.6	14.7	12.5	21.5	24.0	20.0
3. Low technology	14.2	14.4	15.3	13.7	21.8	22.6	19.8
4. Medium technology	7.7	9.8	10.4	9.0	12.7	15.8	13.8
5. High technology	6.6	7.5	9.4	10.3	10.6	12.5	18.0
Trade Balance							
1. Primary products	-1.2	-6.3	-6.5	-4.2	-12.1	-17.8	-9.9
2. Resource Based Agro	7.7	3.1	4.1	4.3	9.4	9.2	11.3
3. Low technology	12.5	12.4	13.3	12.6	20.5	21.1	16.9
4. Medium technology	0.2	0.2	2.5	2.8	5.4	7.4	2.9
5. High technology	2.9	3.4	6.1	7.5	7.1	8.3	12.7
Overall							
Sectoral Trade Balance	22.1	12.8	19.5	22.8	30.2	28.2	33.8

Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

Note: Classification of technology intensive trade is based on Mohanty (2009)

Low-technology goods were prioritised in imports but received exceptional emphasis in exports, showing the significant role of blue-collar employment in India's manufacturing sector.

(LT). The sophistication of technological application rises notably with medium-technology (MT) and high-technology (HT) intensive goods, which significantly outpace primary, agro-based, and low-technology products in terms of innovation. As a result, medium- and high-technology-intensive goods command higher returns than other product categories.

India's bilateral trade in technology-intensive goods with the U.S. in 2023 revealed distinct patterns in imports and exports as shown in Table 4.6. While primary goods held the highest priority in imports, they were accorded the least priority in exports. Conversely, resource-

Among technology-intensive product categories, the medium-technology-intensive sector has consistently underperformed when evaluated against other segments in terms of sectoral trade surplus.

India's bilateral trade surplus with the U.S. has been impressive across all technology-intensive sectors, except for primary goods, where the trade balance has traditionally been adverse.

based agro-products commanded the highest priority in exports but only moderate priority in imports. Low-technology goods were prioritised in imports but received exceptional emphasis in exports, showing the significant role of blue-collar employment in India's manufacturing sector. Bilateral Low-technology goods exports of India increased from $14.2 billion in 2017 to $19.8 billion in 2023. Medium-technology goods, however, experienced a contrasting trend—imports were given very high priority, while exports were moderately low. Interestingly, in high-technology-intensive trade, exports of medium-technology goods gained moderately high priority, although they still trailed the priority given to imports in the same category. India's exports to the U.S. experienced remarkable growth in high-technology-intensive goods compared to medium-technology-intensive goods during the period 2017–2023. Exports of high-technology products surged from $6.6 billion in 2017 to an impressive $18 billion in 2023, while medium-technology-intensive goods grew more modestly, rising from $7.7 billion in 2017 to $13.8 billion in 2023. This remarkable surge in high-technology-intensive exports resulted in a substantial trade surplus of $12.7 billion in 2023, far exceeding the $2.9 billion surplus recorded for medium-technology-intensive goods. Among technology-intensive product categories, the medium-technology-intensive sector has consistently underperformed when evaluated against other segments in terms of sectoral trade surplus.

The trade trajectory of primary products and resource-based agro-products has shown a declining trend in imports, while medium and high-technology imports have surged significantly in the post-pandemic period. On the export front, high-technology goods have seen consistent as well as moderate growth and have expanded steadily, whereas primary products have stagnated at low levels (Pohit & Basu, 2012). The other three categories—resource-based agro-products and low- and medium-technology goods, have displayed consistent growth but have only recently gained increased attention. India's bilateral trade surplus with the U.S. has been impressive across all technology-intensive sectors, except for primary goods, where the trade balance has traditionally been adverse. However, this deficit has narrowed due to reduced sectoral deficits recently. Overall, the trade surplus with the U.S. has been rising

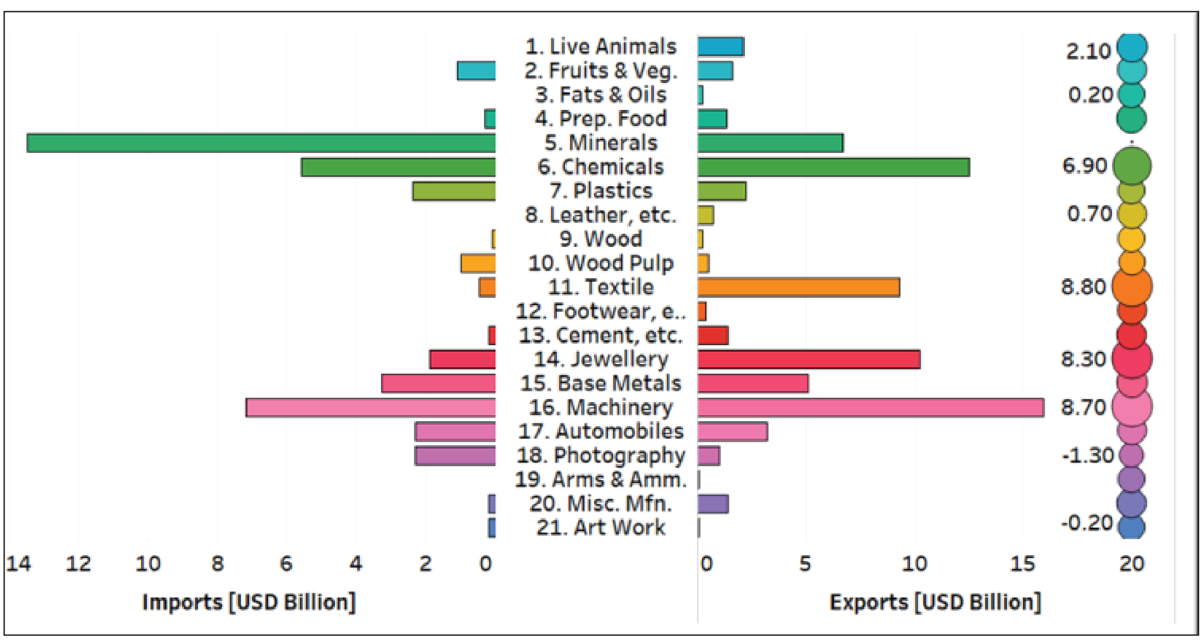
The trade surplus in high-technology and resource-based agro sectors has been on the rise, while the traditionally dominant trade surplus in the low-technology sector witnessed a decline between 2022 and 2023.

since 2018, with a marginal dip in 2022, followed by a recovery in 2023. Notably, the trade surplus in high-technology and resource-based agro sectors has been on the rise, while the traditionally dominant trade surplus in the low-technology sector witnessed a decline between 2022 and 2023.

Where is India's Advantage in Sectoral Trade?

Bilateral trade between India and the United States has yet to reach its full potential, given the magnitude of its trade engagement with the rest of the world. This reality is evident when examining their trade patterns. In certain HS Sections, both countries find themselves competing in specific product segments, while in other areas, they exhibit significant complementarities, particularly in minerals, chemicals, plastics, base metals, and machinery, as highlighted in Figure 4.2. Where intense competition exists, a more calculated and strategic approach could be adopted to foster and expand bilateral trade. The U.S. enjoys a distinct advantage in select HS sections, particularly in minerals, whereas India maintains sectoral supremacy in chemicals and machinery. In 2023, the U.S. maintained a trade surplus in sectors such as minerals,

Figure 4.2: India's Sectoral Trade with the US in 2023, $Bn



Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

Contrary to this expectation, the U.S. has maintained a substantial trade surplus over India in the primary sector.

However, since the U.S. trade surplus in mineral fuels significantly outweighs India's agricultural surplus, the overall balance of the primary sector tilted in favour of the United States.

plastics, pulp and wood, and precision instruments, with the most substantial surplus observed in the mineral fuel segment. Conventional economic theory suggests that India's primary commodity sector should be its dominant export driver in contrast to the United States.

Contrary to this expectation, the U.S. has maintained a substantial trade surplus over India in the primary sector. Within this sector, India enjoys a surplus in agricultural trade, whereas the U.S. dominates in mineral fuels. However, since the U.S. trade surplus in mineral fuels significantly outweighs India's agricultural surplus, the overall balance of the primary sector tilted in favour of the United States. Notably, within the agricultural sector, India commanded a trade surplus across several HS sections, with the largest margin recorded in the fish and crustacean segment in 2023. Meanwhile, India exhibited absolute dominance in the manufacturing sector, where it secured a bilateral trade surplus of $38.8 billion in the same year. Among the 16 HS sections classified under manufacturing, India maintained a trade surplus in 11, while the U.S. had a surplus in only four. India's robust trade surplus within manufacturing is largely concentrated in key sectors such as chemicals, textiles, gems & jewellery, and machinery. In terms of export volume, India's leading sectors, ranked by their size, include machinery, chemicals, gems and jewellery, base metals, and automobiles (Refer Appendix I). A disaggregated analysis of trade flows would offer deeper insights into India's manufacturing market access within the U.S.

Despite facing coercive trade measures from the U.S. under the Trump 2.0 administration, India opted for a conciliatory approach, incorporating certain U.S. concerns into its recent fiscal policies through the Union Budget. This marks a departure from India's stance under Trump 1.0, where retaliatory tariffs were imposed in response to heightened U.S. duties on steel and aluminium. If trade tensions were to escalate once again, India could consider a similar strategic response to safeguard its interests. Structurally, India holds a better position in a broad range of product categories compared to the U.S. Empirical analysis suggests that while the U.S. enjoys advantages in a limited number of subsectors, India retains the leverage to respond with countermeasures if necessary. The U.S. has established a strong presence in

Structurally, India holds a better position in a broad range of product categories compared to the U.S.

certain agricultural segments, notably edible fruits, nuts, beverages, and spirits. In the mining sector, products such as mineral fuels, slag, and ash enjoy significant market access in India, contributing to a sizable U.S. trade surplus. Moreover, other key sectors such as dye extracts for leather, plastic articles, pulp of wood, steel, aluminium, and precision instruments hold considerable significance for U.S. trade in India. A strategic tightening of India's tariff policy in these sectors would not only recalibrate the volume of bilateral trade but also further reinforce India's trade surplus with the U.S. Given this dynamic, the U.S. would be well-advised to exercise restraint in adopting aggressive trade measures against India, as it has done with several other nations under various pretexts.

Prime Minister's Visit and US-India COMPACT

After President Trump assumed office for his second term in January 2025, Prime Minister Modi's first official visit to the United States proved to be a success, culminating in the signing of a comprehensive agreement on February 13, 2025. This accord highlighted a shared commitment to mutual prosperity and security, serving as a catalyst for strengthening bilateral ties across multiple sectors. At the core of this renewed engagement lay a concerted focus on collaborative innovation, designed to propel economic growth in both economies. In a move to elevate the strategic partnership, Prime Minister Modi launched the U.S.-India COMPACT and "Mission 500," aimed at giving a substantial thrust to existing collaborations in specific sectors.

In a move to elevate the strategic partnership, Prime Minister Modi launched the U.S.-India COMPACT and "Mission 500," aimed at giving a substantial thrust to existing collaborations in specific sectors.

Highlighting the deepening synergy between the two countries, Prime Minister Modi encapsulated the essence of this flourishing relationship through an equation: "MAGA + MIGA = MEGA", His vision suggested that the fusion of Make America Great Again and Make India Great Again would forge a MEGA partnership—one that not only enhances economic prosperity but also cement the global leadership stature of both nations. The signing of the U.S.-India COMPACT (Catalysing Opportunities for Military Partnership, Accelerated Commerce & Technology) further reinforced this vision, with its strategic focus on critical sectors such as defence, trade, and technology. The agreement encompassed key areas of defence cooperation, fostering joint research,

Both nations launched 'Mission 500', a strategic initiative set to be operationalised through a Multi-sector Bilateral Trade Agreement (BTA), further solidifying their shared economic and technological aspirations.

development, and production of cutting-edge military technologies. The framework sought to elevate bilateral trade by facilitating mutual market access and dismantling trade barriers that hinder economic engagement. Another pillar of the agreement was the promotion of innovation and technological advancements in frontier domains such as artificial intelligence, quantum computing, and space exploration. Notably, it also underscored the significance of collaboration between academic institutions and industry leaders, ensuring sustained momentum in these transformative fields. As an extension of this ambitious framework, both nations launched 'Mission 500', a strategic initiative set to be operationalised through a Multi-sector Bilateral Trade Agreement (BTA), further solidifying their shared economic and technological aspirations.

'Mission 500': A Strategic Initiative

Both countries have taken a well-calibrated step toward strengthening their bilateral trade ties by launching *Mission 500*, a comprehensive, multi-sectoral initiative that will be implemented through a Bilateral Trade Agreement (BTA). While a BTA shares certain similarities with a Free Trade Agreement (FTA), subtle yet significant distinctions set them apart. An FTA mandates the inclusion of "substantially all trade," whereas a BTA is more flexible, allowing for selective coverage of key areas such as tariffs, non-tariff barriers (NTBs), and trade facilitation. The BTA also adheres to simplified Rules of Origin (RoO), avoiding the complexities associated with more intricate trade agreements. Designed with adaptability at its core, a BTA enables targeted cooperation in specific industries, making negotiations more seamless while allowing preferential treatment for the partner country. Despite its flexibility, a BTA remains fully compliant with World Trade Organization (WTO) provisions, ensuring access to the Dispute Settlement Mechanism (DSM). These agreements play a pivotal role in shaping international trade, carrying profound political, economic, and legal ramifications for the contracting parties. Hence, a well-structured BTA must align with broader policy objectives, geographical imperatives, and WTO commitments of the participating nations.

The multi-sectoral Bilateral Trade Agreement negotiated with the U.S. encompasses both goods and services, forming the foundation of an enhanced economic partnership.

The multi-sectoral Bilateral Trade Agreement negotiated with the U.S. encompasses both goods and services, forming the foundation of an enhanced economic partnership. As per the agreement, the initial phase is projected to be completed by the fall of 2025, marking a significant milestone in bilateral trade relations. This structured framework seeks to deepen collaboration in emerging industries while fostering greater integration of supply chains across diverse sectors. The agreement strategically enhances market access for U.S. exports of industrial goods to India while simultaneously bolstering India's exports of labour-intensive products to the U.S. Moreover, high-tech, technology-driven sectors, such as artificial intelligence, semiconductors, and strategic minerals, have been earmarked for extensive cooperation, highlighting the increasing emphasis on innovation-driven trade.

The agreement strategically enhances market access for U.S. exports of industrial goods to India while simultaneously bolstering India's exports of labour-intensive products to the U.S.

The 'Mission 500' initiative was jointly envisioned during Prime Minister Modi's visit, cementing a shared commitment by India and the United States to forge a robust economic alliance by 2030. Encompassing both goods and services, the agreement aspires to broaden market access, lower tariffs, and cap NTBs while enhancing supply chain integration across multiple industries. With an ambitious target of doubling bilateral trade to $500 billion by 2030, this agreement is poised to establish a more balanced, inclusive, and forward-looking trade partnership that aligns with the evolving global economic landscape.

The signing of 'Mission 500' and the India-US COMPACT has signalled deeper trade cooperation, yet the Trump administration's inclination toward imposing reciprocal tariffs casts a shadow of uncertainty over India's access to the U.S. market. A plausible scenario is the tightening of domestic regulations in the United States, particularly concerning trade in services, which could further complicate India's export landscape. Navigating such an evolving trade environment demands a meticulously crafted strategy, underpinned by robust domestic frameworks that facilitate the development of granular, data-driven insights for both goods and services at the bilateral level. Indian trade agencies must channel their efforts into assembling these detailed datasets, ensuring that policymakers have access to precise, actionable insights to craft informed and adaptive trade policies that safeguard national interests in an increasingly complex global landscape.

Table 4.7: Mission 500: India's Bilateral Trade Projection

($ Billion)

	Exports	Imports	Trade Surplus	Total
2023				
Goods	76	41	35	117
Services	46	29	17	75
Total	122	70	52	192
2030				
Goods	185	160	25	345
Services	100	55	45	155
Total	285	215	70	500
CAGR (2023-30, %)				
Goods	13.6	21.5	-4.7	16.7
Services	11.7	9.6	14.9	10.9
Total	12.9	17.4	4.3	14.7

Source: RIS estimation based on *UN Comtrade*, Online.

The signing of 'Mission 500' and the India-US COMPACT has signalled deeper trade cooperation, yet the Trump administration's inclination toward imposing reciprocal tariffs casts a shadow of uncertainty over India's access to the U.S. market.

The 'Mission 500' initiative embodies an ambitious strategy aimed at doubling bilateral trade in goods and services, with a determined goal of achieving a trade target of $500 billion by 2030. Presently, comprehensive annual trade data for goods and services is unavailable, as the financial year 2024-25 in India is yet to be concluded. Consequently, the most reliable data currently pertains to 2023. To address this gap, a diligent effort has been made to collate trade-related information from a variety of sources, resulting in the preparation of comprehensive statistics on bilateral trade activities. Given the urgency of the situation, a quick estimate has been prepared based on disaggregated data, offering a broad perspective on bilateral trade dynamics and revealing key sectoral outcomes, as summarised in Table 4.7.

In 2023, bilateral trade in goods and services was valued at $117 billion and $75 billion, respectively, leading to a combined trade surplus of $52 billion. During this period, exports of goods and services reached $122 billion, while imports stood at $70 billion, indicating that U.S. exports supported 57.4% of its bilateral imports from

Despite these positive projections, a key downside risk of the agreement lies in the fact that India will be required to make significant commitments in importing goods and services to sustain the momentum of the proposal, as stipulated in the agreement.

India. Forecasts suggest that bilateral trade will flourish in terms of volume and the relative trade imbalance, with double-digit annual growth anticipated for both goods and services, although trade in goods is projected to outpace growth in services. Within the services sector, India's exports are expected to register a slightly higher growth rate than its imports, resulting in a substantial U.S. trade deficit in the sector by 2030.

By that year, total exports in goods and services are projected to touch $285 billion, while imports are expected to reach $215 billion, resulting in a modestly increased trade surplus of $70 billion. However, the overall trade surplus in goods trade is projected to decline at a CAGR of -4.7%. In 2030, U.S. exports are expected to cover 75.4% of its imports from India, with the deficit-to-trade ratio anticipated to decline significantly from 27.1% in 2023 to 14%.

Despite these positive projections, a key downside risk of the agreement lies in the fact that India will be required to make significant commitments in importing goods and services to sustain the momentum of the proposal, as stipulated in the agreement. This preliminary estimate could be further refined using the latest available data, enhancing the depth and precision of the bilateral trade outlook.

5

The Way Forward

Over the past two decades, trade between India and the U.S. has expanded significantly. However, given the vastness of both nations' external sectors, the growth of bilateral trade could have been far more substantial. There exists immense potential for both countries to deepen their trade ties without triggering concerns over trade imbalances. Achieving this, however, would require more serious and strategic engagement. Both nations possess complementary strengths across primary and non-primary sectors, creating opportunities for mutual benefit. Beyond these inherent complementarities, there is also strong evidence of Intra-Industry Trade (IIT) between India and the US, wherein both countries simultaneously engage in exporting and importing within the same industry. This dynamic not only diversifies the choices available to domestic consumers but also enhances their economic preferences. In the primary sector, the U.S. maintains comprehensive dominance; however, within this broad category, India holds a comparative advantage in agricultural trade, particularly in processed food exports. The U.S. commands a significant lead in mineral exports, notably in mineral fuels. Despite these distinct sectoral specialisations, the overall volume of bilateral trade remains far below its true potential.

A sectoral analysis of Indo-US trade provides a nuanced perspective on the strengths and opportunities available for enhancing bilateral trade relations. In the intermediate goods sector, trade has yet to reach an optimal level, necessitating greater bilateral engagement to identify and exploit complementarities that remain untapped. While both nations actively participate in intermediate goods trade, their exchange remains relatively balanced, avoiding a lopsided dependency. Notably, trade in semi-processed goods far exceeds that in parts and components, revealing a potential area for deeper integration. In the final goods sector, India enjoys an edge in exporting consumer goods, while its reliance on the U.S. is more pronounced in capital goods imports. Unlocking the full trade potential in each other's markets requires a targeted and proactive approach. Meanwhile, in technology-intensive sectors, India's trade trajectory with the U.S. has been remarkable. However, within this framework, trade in primary and resource-based agro-products witnessed a decline in 2023 compared to the previous year, raising concerns for both economies. Across the broader spectrum of technology-intensive sectors, India's imports from the U.S. surged significantly, whereas its exports saw notable growth only in high-tech goods. With the exception of the primary product segment where mineral fuels remain a key area of import dependence, India registered a trade surplus across most technology-intensive categories, including resource-based agro-products. This suggests that India has achieved a strong position in multiple sectors, with its vulnerabilities largely confined to primary commodities.

India has actively pursued a policy of reconciliation with the U.S. to strengthen bilateral trade ties, favouring a cooperative and sustainable approach to address trade imbalances. Should the U.S. choose to adopt a coercive stance to correct these imbalances, India is well-equipped with alternative strategies to counter any aggressive measures. By fostering a pragmatic and forward-looking trade policy, India can continue to navigate its economic relationship with the U.S. while ensuring its own strategic and commercial interests remain safeguarded.

India can leverage traditional retaliatory measures to safeguard its trade interests. Collaborating with like-minded nations to develop a comprehensive Action Plan could provide a unified approach to counter unilateral trade actions by the U.S. India may also consider filing formal cases with the WTO against such measures, escalating tariffs on U.S. imports, or diversifying its import sources in critical sectors such as mineral fuels, precision instruments, dye extracts, edible fruits, and nuts. Although retaliatory and counter-retaliatory measures may disrupt bilateral trade flows for both countries, they are often necessary to restore the balance of power in trade negotiations. By adopting such strategies, India can facilitate meaningful resolutions to bilateral trade disputes while safeguarding its long-term economic interests

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Appendix

Appendix I: Sectoral Trade Balance of the U.S. with Its Top Trade Surplus Partners, ($ Billion)

Sec	VarCD	CAN	CHE	CHN	DEU	IND	IRL	ITA	JPN	MEX	MYS
	Imports										
1	1. Live Animals and Animal Products	9.6	0.1	1.5	0.4	2.2	0.6	0.7	0.5	3.9	0
2	2. Vegetable Products	8.7	1.1	1.4	0.6	1.8	0	0.5	0.2	21.5	0
3	3. Animal or Vegetable Fats & Oils	6	0	0.9	0.1	0.2	0	0.8	0.1	0.5	0.3
4	4. Prepared Foodstuff, Beverages, etc.	19.6	0.6	2.6	1.6	1.5	0.8	5.8	0.8	21	0.5
5	5. Mineral Products	134	0	0.7	0.4	5.3	0.1	2.2	0.8	25.8	0.5
6	6. Products of Chemicals	25.4	20	21.2	29	17	61	12	14	7.2	0.7
7	7. Plastics & Articles thereof	16.7	0.4	22.9	4.9	2.1	0.4	1.4	5.3	12.7	1.9
8	8. Raw Hides & Skins, Leather, etc.	0.1	0	3.3	0.1	0.7	0	2.2	0	0.4	0
9	9. Wood & Articles of Wood	11.5	0	2.4	1	0.3	0	0.2	0	0.8	0.3
10	10. Pulp of wood or of other Fibers	10.3	0.1	5.3	1.2	0.5	0	0.5	0.3	2.4	0.2
11	11. Textile & Textile Articles	1.6	0.1	28.7	0.8	10	0	2.8	0.8	5.4	0.2
12	12. Footwear, Headgear and Umbrella	0.1	0	13.8	0.4	0.5	0	2.4	0	1.2	0
13	13. Articles of Stone, Plaster, Cement	1.8	0.1	5.9	1.5	1.6	0	1.8	1.1	4.4	0.2
14	14. Natural or cultured pearls, Jewellery	11.5	8	1.7	2.2	12	0.1	2.7	0.5	5.5	0
15	15. Base Metals & Articles of Base Metal	34.3	0.7	24.5	7.8	5.5	0.1	3.7	5.7	18.7	0.9
16	16. Machinery & Mechanical Appliances	41.7	5.2	213	47	19	3.4	18	56	167	33
17	17. Vehicles, Aircraft and Vessels	65.2	0.8	17.9	38	3	0	8.3	53	133	0.4
18	18. Optical, Photograph & Cinematography	4.7	10	12.8	13	0.8	8.9	2.8	7.7	22.5	3.7
19	19. Arms and Ammunition	0.2	0	0.2	0.4	0	0	0.5	0.1	0.1	0
20	20. Miscellaneous Manufactured Articles	6.3	0.1	57.7	1.3	1.8	0	2.3	1	15.4	2.3
21	21. Works of Art Collectors' Pieces	0.2	0.3	0.1	0.9	0	0	0.9	0.3	0.1	0
	Exports										
1	1. Live Animals and Animal Products	3.9	0	4.9	0.1	0	0	0.1	4.1	7.2	0.1
2	2. Vegetable Products	10.9	0	20.4	2.4	1.2	0	1.6	6.1	12.9	0.3

Continued...

Continued...

3	3. Animal or Vegetable Fats & Oils	0.9	0	0.1	0	0	0	0	0	0.6	0
4	4. Prepared Foodstuff, Beverages, etc.	17.2	0.1	2.4	0.2	0.4	0.4	0.1	2	7.9	0.3
5	5. Mineral Products	32.2	0.4	21.2	6	11	1.3	6.7	13	47	0.8
6	6. Products of Chemicals	30.5	4.9	21.6	13	4.6	5.4	6.3	14	23.4	1.2
7	7. Plastics & Articles thereof	19.7	0.2	7.9	2	1.8	0.6	0.7	2	25.5	1.1
8	8. Raw Hides & Skins, Leather, etc.	0.7	0	0.7	0	0	0	0.2	0.1	0.5	0
9	9. Wood & Articles of Wood	2.5	0	1.5	0.1	0.1	0.1	0.1	0.8	1.1	0
10	10. Pulp of wood or of other Fibers	8.7	0.1	2.5	0.6	0.9	0.1	0.4	1	5.9	0.3
11	11. Textile & Textile Articles	4.6	0.1	2.3	0.3	0.4	0.1	0.2	0.4	6	0.1
12	12. Footwear, Headgear and Umbrella	0.7	0	0.1	0	0	0	0	0.1	0.2	0
13	13. Articles of Stone, Plaster, Cement	3.7	0.1	0.9	1.4	0.2	0	0.2	0.7	1.9	0.1
14	14. Natural or cultured pearls, Jewellery	8.5	14	2.1	2.2	5.5	0.1	3	2.1	0.8	0.4
15	15. Base Metals & Articles of Base Metal	22.5	0.3	4.8	1.9	2.7	0.3	0.8	1.7	26.4	2.3
16	16. Machinery & Mechanical Appliances	82.1	1.3	25.3	14	4.9	3.6	4	11	97.2	8.4
17	17. Vehicles, Aircraft and Vessels	59.7	0.2	8.2	11	0.9	0.1	1.1	3.2	30	0.2
18	18. Optical, Photograph & Cinematography	10.9	1.8	11.4	7.6	1.9	1.6	1.3	7.5	10.3	1.1
19	19. Arms and Ammunition	0.5	0	0	0.3	0	0	0.1	0.6	0.1	0
20	20. Miscellaneous Manufactured Articles	8.5	0	0.5	0.4	0.1	0	0.1	0.4	3.7	0.1
21	21. Works of Art Collectors' Pieces	0.2	1.8	0.1	0.6	0.1	0	0.3	0.3	0.1	0
	Total Trade										
1	1. Live Animals and Animal Products	13.5	0.1	6.4	0.5	2.2	0.6	0.8	4.6	11.1	0.1
2	2. Vegetable Products	19.6	1.1	21.8	3	3	0	2.1	6.3	34.4	0.3
3	3. Animal or Vegetable Fats & Oils	6.9	0	1	0.1	0.2	0	0.8	0.1	1.1	0.3
4	4. Prepared Foodstuff, Beverages, etc.	36.8	0.7	5	1.8	1.9	1.2	5.9	2.8	28.9	0.8
5	5. Mineral Products	166	0.4	21.9	6.4	16	1.4	8.9	13	72.8	1.3
6	6. Products of Chemicals	55.9	25	42.8	42	21	67	19	28	30.6	1.9
7	7. Plastics & Articles thereof	36.4	0.6	30.8	6.9	3.9	1	2.1	7.3	38.2	3
8	8. Raw Hides & Skins, Leather, etc.	0.8	0	4	0.1	0.7	0	2.4	0.1	0.9	0

9	9. Wood & Articles of Wood	14	0	3.9	1.1	0.4	0.1	0.3	0.8	1.9	0.3
10	10. Pulp of wood or of other Fibers	19	0.2	7.8	1.8	1.4	0.1	0.9	1.3	8.3	0.5
11	11. Textile & Textile Articles	6.2	0.2	31	1.1	10	0.1	3	1.2	11.4	0.3
12	12. Footwear, Headgear and Umbrella	0.8	0	13.9	0.4	0.5	0	2.4	0.1	1.4	0
13	13. Articles of Stone, Plaster, Cement	5.5	0.2	6.8	2.9	1.8	0	2	1.8	6.3	0.3
14	14. Natural or cultured pearls, Jewellery	20	22	3.8	4.4	18	0.2	5.7	2.6	6.3	0.4
15	15. Base Metals & Articles of Base Metal	56.8	1	29.3	9.7	8.2	0.4	4.5	7.4	45.1	3.2
16	16. Machinery & Mechanical Appliances	124	6.5	238	61	24	7	22	66	264	42
17	17. Vehicles, Aircraft and Vessels	125	1	26.1	49	3.9	0.1	9.4	56	163	0.6
18	18. Optical, Photograph & Cinematography	15.6	12	24.2	21	2.7	11	4.1	15	32.8	4.8
19	19. Arms and Ammunition	0.7	0	0.2	0.7	0	0	0.6	0.7	0.2	0
20	20. Miscellaneous Manufactured Articles	14.8	0.1	58.2	1.7	1.9	0	2.4	1.4	19.1	2.4
21	21. Works of Art Collectors' Pieces	0.4	2.1	0.2	1.5	0.1	0	1.2	0.6	0.2	0

Appendix II: India's Sectoral Trade with the US in 2023, $Bn

HS Section	Imports	Exports	Trade Balance
1. Live Animals and Animal Products	0	2.1	2.1
2. Vegetable Products	1.1	1.6	0.5
3. Animal or Vegetable Fats & Oils	0.0	0.2	0.2
4. Prepared Foodstuff, Beverages, etc.	0.3	1.3	1.0
5. Mineral Products	13.5	6.7	-6.8
6. Products of Chemicals	5.6	12.5	6.9
7. Plastics & Articles thereof	2.4	2.2	-0.2
8. Raw Hides & Skins, Leather, etc.	0.0	0.7	0.7
9. Wood & Articles of Wood	0.1	0.2	0.1
10. Pulp of wood or of other Fibers	1.0	0.5	-0.5
11. Textile & Textile Articles	0.5	9.3	8.8
12. Footwear, Headgear and Umbrella	0.0	0.4	0.4
13. Articles of Stone, Plaster, Cement	0.2	1.4	1.2
14. Natural or cultured pearls, Jewellery	1.9	10.2	8.3
15. Base Metals & Articles of Base Metal	3.3	5.1	1.8
16. Machinery & Mechanical Appliances	7.2	15.9	8.7
17. Vehicles, Aircraft and Vessels	2.3	3.2	0.9
18. Optical, Photograph & Cinematography	2.3	1.0	-1.3
19. Arms and Ammunition	0.0	0.0	0.0
20. Miscellaneous Manufactured Articles	0.2	1.4	1.2
21. Works of Art Collectors' Pieces	0.2	0.0	-0.2
Total	42.1	75.9	33.8

Source: Estimated by RIS based on *Comtrade*, United Nations, Online.

RIS A Think-Tank of Developing Countries

Research and Information System for Developing Countries (RIS) is a New Delhi-based autonomous policy research institute that specialises in issues related to international economic development, trade, investment and technology. RIS is envisioned as a forum for fostering effective policy dialogue and capacity-building among developing countries on global and regional economic issues.

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