



## Transient Phase in US-India Trade Relations

**Dr S P Sharma,**  
Chief Economist, NEO Economists

**“India is well-positioned to diversify its exports towards a range of fast-growing markets”**

Despite the unfair high tariffs imposed by the Trump administration, India’s calm and strategic response is likely to compel the United States for rational negotiations. With multiple fast-growing markets available as alternatives, India holds the leverage to diversify its export trajectory and reduce dependence on any single partner.

Many of the countries and regions have entered in geo-political and Geo-economical tussles which has caused a significant resource fragmentation and diminishing welfare aspects of international trade. India, though fastest growing economy among the large economies was also not insulated from such headwinds. India and USA hold significant place in the world economic system as USA is the largest economy and India is the fastest growing economy.; USA is the oldest democracy and India is the largest democracy. Both hold a very strong bilateral trade trajectory since the last many decades. In the recent past too, the merchandise trade between the two prominent economies has grown more than double since 2016-17.

### India US Bilateral Merchandise Trade Trajectory

Financial Year	Exports USD Billion)	Imports (USD Billion)	Total Trade (USD Billion)
2016-17	42	22	64
2017-18	48	27	75
2018-19	52	35	87
2019-20	53	36	89
2020-21	52	29	81
2021-22	76	43	119
2022-23	79	51	130
2023-24	78	42	120
2024-25	87	46	133

Source: Ministry of Commerce, Govt. of India.

India’s exports to USA hold a significant space in India’s total exports to the World. The share of exports to US, in India’s total exports is also increasing at a faster pace, indicating a great demand of Indian products in the US market vis-a-vis India’s labour-intensive competitive products. The share of exports to US has increased from 15% in 2016-

17 to around 20% in 2024-25. The value merchandise exports has also increased from USD 42 billion in 2016-17 to USD 87 billion in 2024-25. Even in the phase of covid-19, India's exports to USA remained intact in 2020-21.

#### India's merchandise exports to USA

Financial Year	Exports (in USD Billion)	India's Total Exports to World	Share of Exports to USA
2016-17	42	276	15.2%
2017-18	48	304	15.8%
2018-19	52	330	15.8%
2019-20	53	313	16.9%
2020-21	52	230	22.6%
2021-22	76	422	18.0%
2022-23	79	451	17.5%
2023-24	78	437	17.8%
2024-25	87	438	19.9%

Source : Ministry of Commerce, Government of India

Not only the trajectory of merchandise trade or the merchandise exports to US has increased, but also the merchandise imports from USA have also increased in the same pace. The value of merchandise imports from USA increased more than double from USD 22 billion in 2016-17 to USD 46 billion in 2024-25. Overall the trajectory of trade including the merchandise exports, merchandise imports have performed well despite many headwinds at global economy.

#### India's merchandise imports to USA

Financial Year	India's Imports from USA (in USD Billion)	India's Total Imports from the World (USD Billion)	Share of Imports to USA
2016-17	22	384	5.7%
2017-18	27	466	5.8%
2018-19	35	514	6.8%
2019-20	36	475	7.6%
2020-21	29	394	7.4%
2021-22	43	613	7.0%
2022-23	51	716	7.1%
2023-24	42	678	6.2%
2024-25	46	721	6.4%

Source : Ministry of Commerce, Government of India

However, after resuming the second term, Donald trump started a tariff war with rest of the World and announced drastic tariff moves and imposed high tariffs on many of the advanced, emerging and developing countries. In a very volatile announcement's environment, the drastic imposition of tariffs has come in force in the month of August 2025 to generate revenue from tariffs, address fiscal deficit and sky rocketing debt of the US economy.

Though India was anticipated to remain unaffected from trade war vis-à-vis India's friendly relations with the USA, however, the kneejerk geo-politically motivated reaction vis-à-vis India's Dosti with Russia worsened the whole trajectory of India-USA bilateral relations. Firstly USA imposed 25% reciprocal tariffs on India's exports to USA and thereafter additional 25% saying that India imports crude oil from Russia and is fuelling Russia's invasion on Ukraine.

The total additional 50% tariffs over and above the MFN rates on many of the labour-intensive sectors has challenged the trajectory of significantly growing India's export to the USA and overall bilateral merchandise trade. Most of the labour-intensive exports such as exports of Seafood, Organic chemicals, Textiles and Apparel, Furniture and Bedding, Machinery and Mechanical Appliances, Leather and Footwear have been impacted.

Seafood which is now to be exported with a total tariff of 60%, Organic chemicals with a total tariff of 54%, Textiles and Apparel with 52-63%, Machinery and Mechanical Appliances with 51.3%, Furniture and Bedding with 52.3%, Jewellery and Diamonds with 52.1%, Articles of Iron and Steel with 51.7% and Vehicles and parts with 26%. The sectors which are impacted the least are Petroleum Products with 6.9% total tariffs and Pharmaceuticals and Smartphones with 0% tariffs.

### The trajectory of Trump Tariffs

Sl. No.	Product Group	Total Tariff Payable (%)	Impact
1	Shrimps, Apparel; knitted, Apparel; woven, Textiles, made up	59-63.9	Very High
2	Organic chemicals, Carpets, Diamonds, gold and products, Steel, Aluminium, Copper, Machinery and mechanical appliances, Furniture; bedding, mattresses	51.3-54	High
3	Vehicles, and parts (HS87)	26	Medium
4	Petroleum Products	6.9	Low
5	Pharmaceuticals, Smartphones	0	No Impact
6	Smartphones	0	No Impact

Source: Compiled from Various Sources

India's total merchandise exports to US are USD 87 billion in 2024-25 which are about 20% of India's total exports to World which means that we have 80% of our exports market in else of the countries. Within the USD 87 billion exports to USA, about 64% are concentrated to the top 10 items of exports to USA of which electrical machinery and equipment and parts thereof; sound recorders and reproducers, television with a value of USD 12.5 billion, natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with a value of USD 9.2 billion, pharmaceutical products with a value of USD 8.8 Billion, nuclear reactors, boilers, machinery and mechanical appliances; parts thereof with a value of USD 6.5 billion; mineral fuels, mineral oils and products of their distillation, bituminous substances mineral with a value of USD 4.4 Billion; articles of iron or steel with a value of USD 2.9 billion, Other made-up textile articles; sets; worn clothing and worn textile articles; rags with a value of USD 2.9 billion,

vehicles other than railway or tramway rolling stock, and parts and accessories thereof with a value of USD 2.6 billion and organic chemicals with a value of USD 2.6 billion and articles of apparel and clothing accessories, not knitted or crocheted with a value of USD 2.5 billion. The total share of these top 10 items of exports to USA is % 64% and in India's total exports to World is 12.5%.

#### Top 10 items of India's exports to USA (USD Billion)

Sl. No.	Commodity	Value USD Billion
1	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television	12.5
2	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad	9.2
3	Pharmaceutical products	8.8
4	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	6.5
5	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral	4.4
6	Articles of iron or steel	2.9
7	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	2.9
8	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	2.6
9	Organic chemicals	2.6
10	Articles of apparel and clothing accessories, not knitted or crocheted	2.5
Total of Top 10 items of exports to USA		55.4
Total Export of India to US		87
Share of Top 10 items of exports to USA in Total Exports to USA		64%
Share of top 10 items of exports to USA in India's total exports to World		12.5%

Source: Compiled from Ministry of Commerce and Industry

The above table indicates a high concentration of top 10 items of exports to USA at 64%. These items are also in great demand in another more than 20 prominent export destinations of India such as electrical machinery and equipment also find markets in the Netherlands, UAE, Singapore, South Korea, and the UK.

Pharmaceuticals are equally competitive in Australia, Saudi Arabia, Brazil, and South Africa. Gems and jewellery dominate in the exports to UAE, Belgium, Italy, and the UK as well. Similarly, nuclear reactors, organic chemicals, textiles, and apparel are gaining traction in Europe, Latin America, and Asia. This diversification in India's export baskets ensures that Indian businesses do not need to make a drastic shift in production but can leverage existing strengths to expand market access in these potential expansion destinations.

Notwithstanding the diversification opportunities available to India, the trajectory of bilateral relations has strong implications for the global economy. While the USA remains largest economy in the global eco system, India has emerged as a great growth locomotive of global growth trajectory, growing even faster than China. Going ahead,

India is emerging as the world's next manufacturing powerhouse, India will lead the global economic order and set the economic tone and growth trajectory of the World economic system. At this juncture, it is crucial for the USA to nurture cordial relations with India, the fastest growing and most promising economy in the World.

In conclusions, the imposition of the high tariffs has created a range of vulnerability across various export sectors based on exposure level, among these the micro, small and medium enterprises (MSMEs) have faced the most adversity. The labour intensive sectors majorly dominated by the MSMEs are facing significant challenges. The Government of India and the Reserve Bank of India are in their full of efforts to support the vulnerable or impacted industry segments.

India's economy is about to embark on a transformation journey towards Atamanirbhar Bharat in the medium term and Viksit Bharat in the long term by 2047 with meaningful and effective reforms. The recent historic reform and great relief in GST rates, merger of slabs from 4 to 2 and simplification of GST compliances would go a long way to enhance the consumption trajectory of the Indian economy and to make it more and more competitive in the domestic and international markets.

*(Dr. S.P. Sharma is Managing Director, Chief Economist, NEO Economists • Former Chief Economist, PHDCCI (PHD Chamber of Commerce and industry, India)*

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