



Delhi Policy Group

Roundtable Discussion

“Outlook for India-US Trade and Economic Relations under Trump 2.0”

March 11, 2025

1030-1230 hrs

Venue: Delhi Policy Group, 1st Floor, Core 5A, India Habitat Centre

Programme

1000 - 1030	Arrival of Participants and Tea/Coffee
1030 - 1035	➤ Welcoming Remarks by Amb. H.K. Singh, Director General, DPG
1035 - 1040	➤ Opening Remarks by Dr. V.S. Seshadri, Senior Fellow for Economic Security and Moderator
1040 - 1145	➤ Remarks by Panellists (8 mins each)
1145 - 1230	➤ Moderated Discussion
1230 - 1330	Lunch

List of Participants

PANELLISTS	
1.	Mr. Abhijit Das, Former Professor and Head of the Centre for WTO Studies
2.	Ambassador Mohan Kumar, Dean, O.P. Jindal Global University
3.	Professor Dr. Nagesh Kumar, Director of the Institute for Studies in Industrial Policy Development and Member of RBI's Monetary Policy Committee
4.	Professor Amita Batra, Centre for South Asian Studies, JNU
5.	Professor Arpita Mukherjee, ICRIER
6.	Mr. J.S. Deepak, IAS (Retd.), Former Ambassador of India to WTO and former Secretary, Department of Telecom
7.	Ms. Chandni Raina, Economic Adviser, Department of Economic Affairs
8.	Ms. Shiny Pradeep, Assistant Professor, Centre for Trade and Investment Law

MODERATOR	
Dr. V.S. Seshadri, Senior Fellow for Economic Security, DPG	

PARTICIPANTS	
1.	Ambassador H. K. Singh, Director General, DPG
2.	Ambassador Nalin Surie, Distinguished Fellow for Diplomacy, DPG
3.	Cmde. Lalit Kapur, Senior Fellow for Maritime Strategy, DPG
4.	Ms. Jayantika Rao T.V., Research Associate, DPG



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Concept Note

The United States is India’s most important trade partner and a key investment and technology collaborator. Within one month of assuming office, however, President Donald Trump has set in motion a vast array of initiatives and executive actions that can have a far-reaching impact worldwide, including on India. Prime Minister Narendra Modi’s timely visit to the US and meeting with President Trump on February 13, 2025 has helped provide some direction and agenda for taking the bilateral relations forward.

Experts at the roundtable will discuss the best available strategies for India to optimise the outcomes of the Modi-Trump summit. To facilitate this discussion, bilateral trade and investment trends, recent initiatives by President Trump on trade and economic issues that can potentially impact India, the new directions provided by the India-US joint statement, and some leading issues that arise therefrom, are outlined below.

Trade and investment trends

The United States is India’s largest trade partner both in goods and in services. US imports of goods from India during 2024 totalled US\$ 87.41bn and India was the tenth largest source of imports for the US. US exports of goods to India were US\$ 41.75 bn in the same year and the US has become India’s fourth largest source of imports after China, Russia and the UAE. The merchandise trade deficit for the US with India has risen to a record high of US\$ 45.6 bn in 2024. This is the tenth highest among US trade partners after China, Mexico, Vietnam, Ireland, Germany, Taiwan, Japan, South Korea and Canada, in that order.

In respect of trade in services, however, the trend is more balanced. US imports from India in 2023 were US\$ 36.4 bn while exports to India were US\$ 33.99 bn. Available US figures for the first three quarters of 2024 indicate that US exports during this period to India were US\$ 29.449 bn whereas imports were US\$ 29.415 bn. This shows a surplus of US\$ 34 mn for the US. If this surplus holds for the full 2024 year, it could be the first time after the year 2005 that US may have a surplus in its bilateral services trade with India.

As for investments in India, as per DPIIT data, the US is India’s fourth largest foreign investor with cumulative FDI inflows totalling US\$ 67.7 bn over the period April 2000-September 2024, accounting for around 10% of all inflows into India. As per US BEA, however, the US investment stock in India was US\$ 49.56 bn as of 2023 and inflows during 2023 were US\$ 5.998 bn. US BEA also indicates that India’s investment stock in the US stood at US\$ 17.04 bn. The recent India-US joint statement welcomed ongoing investments by Indian companies worth approximately \$7.35 billion, such as those by Hindalco’s Novelis in finished aluminium goods at their state-of-the-art facilities in Alabama and Kentucky; JSW in steel manufacturing operations in Texas and Ohio; Epsilon Advanced Materials in the manufacture of critical battery materials in North Carolina; and Jubilant Pharma in the manufacture of injectables in Washington.

Recent initiatives of the Trump 2.0 Administration

Among the several announcements made by President Trump, the one that could potentially have the most significant impact is the 'Fair and Reciprocal Plan' on trade announced on February 13, that seeks to determine the equivalent of a reciprocal tariff with respect to each foreign trading partner taking into account not only that partner's external tariffs but also local taxes such as value added tax, non-tariff barriers and other practices deemed as an unfair limitation on market access. The findings, which include the detailing of remedies, are to be submitted to the US President by the concerned US Departments by April 1, 2025, to enable him to take action soon thereafter. Such 'reciprocal tariffs', if imposed, however, would be in clear contravention of WTO rules.

The second Trump initiative is the imposition on February 10, 2025 of tariffs of 25% on steel and aluminium imports into the US from all sources, without exception, with tariffs also covering several other downstream items that had not been covered earlier under the 2018 measure. The objective is to revitalise the US domestic steel and aluminium industries and to achieve sustainable capacity utilisation of at least 80%. As in the earlier case, this measure has been taken under Section 232 of US Trade Act, which relates to measures taken for national security purposes. The tariffs will become effective from March 12, 2025. A WTO panel had ruled against the 2018 measure, but the US has appealed against the same.

The third is an announcement by President Trump on February 18 that he could broaden the scope of the 25% tariffs on imports to also include automobiles, pharmaceuticals and semiconductors, which could start as early as April 2. He has also noted that the tariffs could "go very substantially over a course of a year", the clear objective being to goad investments into the US.

Fourth, President Trump has signed a memorandum asking his administration consider responsive actions like tariffs to combat the digital service taxes (DSTs), fines, practices, and policies that foreign governments levy on American companies. India may not be impacted by this announcement, however, since the 2% equalisation levy introduced by India in 2020 was withdrawn under a budget announcement in July 2024.

In addition, there are several other measures that could have an indirect impact on India's trade, such as from the additional tariffs imposed on third countries that could then divert those products to countries like India.

Key directions provided by the India-US Joint Statement

The joint statement issued after PM Modi's recent US visit has several elements that touch upon further expansion of bilateral trade, investment, and technology collaboration, as also defence purchases. These include:

- Launch of a new initiative - the US-India COMPACT (Catalysing opportunities for military partnership and accelerating commerce and technology) - to drive transformative changes across key pillars of cooperation;
- Setting a new goal 'Mission 500' to more than double bilateral trade by the year 2030;
- Negotiation of the first tranche of a mutually beneficial multi-sectoral Bilateral Trade Agreement (BTA) by the fall of 2025. The two sides are to take an integrated approach to strengthen and deepen bilateral trade across the goods and services sectors, and also increase market access, reduce tariff and non-tariff barriers, and deepen supply chain integration;

- Commitment by both sides to take early steps to address bilateral trade barriers. Both sides are also to collaborate by increasing US exports of industrial goods to India and Indian exports of labour-intensive goods. They also work together to increase trade in agricultural goods;
- The US is to expand defence sales and co-production with India to strengthen interoperability and defence industrial cooperation. Several specific defence items and platforms have been mentioned in this regard;
- Both sides are to work together towards making further greenfield investments in high-value industries in each other's countries;
- Both sides are to increase energy trade, as part of efforts to ensure energy security, and to establish the US as a leading supplier of crude oil and petroleum products and liquified natural gas to India. Enhancing investments in oil and gas infrastructure and greater cooperation among energy companies of the two countries is also envisaged;
- India's budget announcement on introducing legislative changes to address the issue of civil liability for companies involved in setting up nuclear reactors is welcomed. The two sides have noted that this would unlock plans to build large US-designed nuclear reactors, as well as work on small modular reactors;
- The two sides are to build trusted resilient supply chains, including for semiconductors, critical minerals, advanced materials and pharmaceuticals. As part of this TRUST initiative, the plan is to increase public and private investments to expand Indian manufacturing capacity, including in the US, for active pharmaceutical ingredients for critical medicines;
- Launch of a bilateral Strategic Mineral Recovery Initiative to recover and process critical minerals from heavy industries like aluminium, coal mining and oil and gas. The two sides are to deepen cooperation in exploration, beneficiation and processing, as well as recycling technologies of critical minerals (Note: there is no mention of the Biden Administration-led IPEF initiative); and
- Redoubling of efforts to address export controls, enhance high-technology commerce, and reduce barriers to technology transfer between the two countries, while addressing technology security.

Issues for Discussion

Some of the issues that could be usefully discussed at the roundtable are:

- How will the BTA negotiations and the US unilateral 'reciprocal tariff' initiative run in parallel? Are there strategies that could be explored here to mitigate the impact on India? Should India also put in place proportionate retaliatory measures for any tariff deemed WTO-inconsistent, even as we continue negotiating the BTA? Are there specific sectors/products that should be looked at here?
- What could be the objectives of the US, both in goods and in services trade, for the first tranche of the BTA? Will the US agree to structure the BTA like the ECTA we have with Australia? Will they also expect India to sign a digital trade chapter, as in the case of the first phase of the US-Japan FTA signed in 2020?

- What will be the basis for US determination of ‘reciprocal tariffs’? Will it be one aggregate tariff determined for each country or will it be imposed sectorally or product-wise? Clearly, the implications in each case could be quite different.
 - Reference has been made in the joint statement to the interests of the US to supply industrial goods to India, and for India to supply labour intensive goods. Is this something that can be built on as the basis for the first tranche of the BTA or is it too narrow for India? On agriculture trade, the reference is to accommodate each other’s interests. What could be the broad US expectations here, and what should be our ‘wish list’ and approach?
 - Increased sales of oil and gas and defence items by the US have found a prominent mention in the joint statement. What may be realistically possible here?
 - The US, even under previous administrations, has shown a keen interest in exporting its domestic policies and practices through the medium of FTAs. What are the areas where we need to have clear red lines here?
 - There is clearly a need for India to increase FDI inflows into the country. The budget announcement by the Finance Minister to revamp the bilateral investment treaty model to make it more investor-friendly, and the recent announcement by PM Modi about the establishment of a Deregulation Commission, have raised hopes of an improved business environment for foreign investors. At the same time, the efforts of the Trump Administration appear to be to wean American investors away from investing overseas into investing at home (and also attract other foreign investors to the US) with lower taxes, deregulation and, where necessary, use of tariffs. Should India get unduly concerned, particularly in the light of reports that net FDI inflows into India during the period April-Dec. 2024 were only US\$ 1.718 bn as per the RBI bulletin of January this year?
 - The Biden era initiative like iCET has been rebranded as TRUST, and IPEF seems likely to be ignored even as there is some bilateral plan to move forward on critical minerals. Will we see as much vigour in technology collaboration efforts as in the past, even as there are some references to co-production etc.?
 - There is also the need of not being overly influenced by the blitzkrieg of Trump’s policies and actions, and to be guided mainly by our own development priorities and to maintain equity and balance in the relationship. Considerations that initiatives like the BTA may at some stage need to pass through the US Congress may also need to be kept in view.
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