

India's Emerging Geo-Economic Relations

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Legacy of Strong India-US Bilateral Relations

- ❖ Growing intensity in bilateral relations between the two largest democracies since the turn of the millennium
 - India offered access to its facilities after 9/11 to help US launch operations in Afghanistan
 - Landmark agreement in 2005 that lifted the three-decade US moratorium on nuclear trade with India
 - The “123 Agreement” in 2008 established the legal framework for peaceful nuclear cooperation agreements between India and the US
 - India-U.S. Strategic Dialogue in 2010
 - India-US Strategic and Commercial Dialogue, 2015
 - Replaced by the 2+2 Dialogue between the Foreign and Defence Ministers
 - India-US Strategic Trade Dialogue, 2023

Main Elements of India's Trade and Economic Relations with the US

- ❖ US is the India's largest trade partner
 - Share in 2024 was 10.8%; increasing to 13% in the first seven months of 2025
- ❖ Since 2012-13, the US has been India's largest export destination
 - Share of India's exports to the US increased from 15% in 2017 to over 18% 2024
 - During January-July 2025, nearly 23% of India's exports were shipped to the US
- ❖ Several major industries are heavily dependent on the US market
 - Mobile phones – US share 65% during Jan-Jul 2025, up from 31% in 2023
 - Pharmaceuticals – US share 41% during Jan-Jul 2025, up from 35% in 2023
 - Other industries with sizeable exposure to the US market, gems and jewellery and garments
- ❖ Decline US' imports from China's, especially of mobile phones increased India's exports
 - In 2023, China's share in US' imports of mobiles phones was 47%, down to 23% in the first half of 2025

Main Elements of India's Trade and Economic Relations with the US

- ❖ India's imports from the US have been sluggish
 - Declined by over 13% between 2022 and 2024
- ❖ US has been pushing for higher imports of agricultural products, but India's vulnerabilities in agricultural sector has forced it to keep the sector closed to imports
- ❖ India is a major market for India's professionals, particularly in the IT and ITES sectors
 - Almost three-fourths of H1-B visas were taken by Indian professionals

A Contentious Trade Relation

- ❖ US' increasing trade deficit vis-à-vis India, a major irritant for President Donald Trump
- ❖ Deficit increased from USD 33 billion in 2021 to USD 47 billion in 2024
 - Steep increase in India's exports of mobile phones and a lesser increase in pharmaceuticals
 - India's inabilities to import more from the US

Robust Beginning to India-US Relations under Trump 2.0

- ❖ Prime Minister Modi's visit to Washington just weeks after President Trump entered the Oval Office for the second time
- ❖ Major announcements in US-India Joint Leaders' Statement
 - Negotiate first tranche of "a mutually beneficial, multi-sector Bilateral Trade Agreement (BTA) by fall of 2025
 - Agreed to work together to increase trade in agricultural goods
 - New goal for bilateral trade - "Mission 500" - aiming to more than double total bilateral trade to \$500 billion by 2030
 - US-India COMPACT (Catalyzing Opportunities for Military Partnership, Accelerated Commerce & Technology) for the 21st Century
- ❖ BTA, a major development considering that the US was the only G7 country with which India had not engaged in bilateral FTA negotiations

Trump Administration seeking Enhanced Market Access in India

- ❖ President Trump, when announcing the "Fair and Reciprocal Plan", 13 February
 - US average applied Most Favoured Nation tariff on agricultural goods is 5%, but India's average applied MFN tariff is 39%.
 - India also charges a 100% tariff on US motorcycles, while the US charges 2.4% tariff on Indian motorcycles.
- ❖ Executive Order on imposing a Reciprocal Tariff, 2 April
 - US has among the lowest simple average MFN tariff rates at 3.3%, while many of its key trading partners like India (17%) has much higher
 - Apples enter the US duty-free, but not so in India (50 percent).
 - For rice in the husk, US' MFN tariff is 2.7 percent (ad valorem equivalent), while India (80%)
- ❖ US Commerce Secretary, Howard Lutnick
 - India brags about having 1.4 billion people but won't buy one bushel of U.S. corn
- ❖ India being urged to import US soybean

President Trump's Tariff War Against India

- ❖ Reciprocal tariff imposed on India on 2 April was 26%
 - Lowest among South Asian countries
 - Considerably below 46% tariff imposed on Vietnam, one of India's major competitors in several products, particularly garments
 - Lower reciprocal tariff was imposed on India relative to its South Asian neighbours and also Thailand and Indonesia was possibly with an eye to on-going BTA negotiations
- ❖ Deadlock over the BTA negotiations altered the tariff scenario
 - 25% reciprocal tariff imposed on India in the modified Executive Order of July 31
 - Highest in South Asia, higher than most Southeast Asian countries
 - Was this the price India paid for not agreeing to conclude the BTA?

Targeting India by Imposing Additional Import Duties

- ❖ On August 6, President Trump imposed additional ad valorem duties of 25% on imports from India for “directly or indirectly importing” Russian oil
 - India was given 21-day notice before the additional duties were levied
 - To meet the US demands?
- ❖ While several countries were “directly or indirectly” importing Russian oil, India was the only country to face additional ad valorem tariffs
 - Several countries, China, Türkiye and Brazil, were buying oil and oil products from the Russian Federation
- ❖ EU emerged as the largest destination for India’s exports of petroleum products after sanctions on Russia were imposed in 2022
 - Share of India’s exports of petroleum products to the US increased from 12% in 2021 to 25% in 2024
 - 6% of India exports went to the US in 2024

Why did India Buy Russian Crude Oil after February 2022?

❖ Policy design of the Biden Administration

- Former US Ambassador to India, Eric Garcetti, revealed that India “bought Russian oil as the US wanted somebody to buy [the] oil at a price cap” ... this “was not a violation” of the sanctions
- “It was actually the design of [US] policy because, as a commodity [US] didn’t want the oil prices going up, and [India] fulfilled that”
 - If Russian oil flowed into the global supply at a cheap enough price; it would shrink Russia’s revenue putting further pressure on Moscow

❖ India was able to import crude, often at 25% discount, allowing it to cope with the post-Covid adjustment problems

- Unlike most major economies, India was able to keep inflation in check

Developments since the US Levied 50% Tariffs on India

- ❖ In late-August, Prime Minister Modi attended the Council of Heads of State of the Shanghai Cooperation Organization in Tianjin
 - First visit to China in 7 years
- ❖ India endorsed the Tianjin Declaration, which highlighted, among others, the following
 - SCO Development Strategy for the Next Decade (2026–2035)
 - Plan of Actions for Implementing the SCO Economic Development Strategy until 2030
- ❖ India supported projects such as Chabahar port and International North-South Transport Corridor
 - Discordant notes for the US

Is India Recalibrating its Geo-Economic Position?

- ❖ Indications of shift from an unqualified US-centric geo-economic stance
- ❖ Reset in India's relations with China
 - Strong anti-China sentiments, especially since the border clashes in 2020, is passé – several moves towards normalisation of relations
- ❖ Reducing dependence on Chinese imports, the basis of trade and investment policies in the past, no longer emphasised
- ❖ Investment from China were put on hold
 - Changing tone within the government
- ❖ Direct flights between India and China remained suspended since outbreak of Covid-19 - will resume at the end of October 2025
 - "Would further facilitate people-to-people contact between India and China, contributing towards the gradual normalisation of bilateral exchanges" (India's Foreign Ministry's comment)

Future of India-US Economic Engagement

- ❖ BTA negotiations are on, but little signs of resolution of key differences, especially India's market access for US agricultural products
- ❖ Indian Prime Minister's strong support for protecting agriculture
 - "... For farmers, fishermen and livestock rearers, Modi will always stand as a wall of protection" – Mr. Modi's independence Day address (15th August)
- ❖ Last month, President Trump increased the visa fees for H1-B visas by 20 to 50 times, which could be another major obstacle for BTA talks
 - India has always demanded better access for its professionals under Mode 4 in all its bilateral FTAs
- ❖ India is unlikely to comply with US demands of reducing Russian oil import
 - Marginal decline in share of India's crude oil imports from Russia in the first 5 months of the current fiscal year (April-August) – 32.5% as against 37% last year

Crucial Next Few Months

- ❖ India's warming up to China could introduce a new tilt in its bilateral/plurilateral/regional engagements
- ❖ Here are some possibilities
 - More active involvement in the BRICS to help it to emerge as an institution of the Global South
 - Since its G-20 Presidency, India has hosted three "Voice of the Global South Summits"
 - Re-engaging with RCEP grouping?

Thank you for your attention