

# India and USA can aim for a win-win situation in trade

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*Synopsis : Disruption as a management technique is the hallmark of President Trump's second term and it is certainly visible in trade policies . While President Trump's logic of " Make in America " is laudable from a national perspective for economic revitalization and creation of employment , his arbitrary application of import duty as a method to achieve this objective may not work well . Four decades of globalization has caused considerable economic deficit and social deficit in USA and corrective actions should include a structured approach for augmenting local production of a large number of commodities in a competitive manner for containing inflation . Citizens will also have to adopt a new pattern of responsible consumption for ensuring sustainability abandoning the " throw away " style of consumption . Conservation of natural resources through adoption of circular economy should become part of a new industrial policy for effective implementation of " Make in America " a reality so as to " Make America Great Again " . In the year 2023 , US imported 3084 billion \$ worth of goods against an export of 2019 billion \$ worth of goods leaving a trade deficit of 1065 billion \$ . In fact , US has a trade-deficit with all the top 10 trade- partners in 2023 as well as with EU as a group . The matter needs closer examination with companies / businesses engaged in massive import of goods.*

*This analysis pertains only to the trade between USA and India and how both the countries could work out an amicable solution for mutual benefit . In 2023 , India exported goods worth of 83.68 billion \$ to USA with an import of goods worth 40.37 billion \$ leaving a trade deficit of 43.31 billion \$ for USA. India and USA will have to work together to find a solution to bridge this gap as well as to augment the bilateral trade to around 500 billion \$ by 2030. During the recent visit of Prime Minister Modi to USA for discussions with President Trump , it was agreed to examine the possibility for increasing the bilateral trade in a fair manner protecting the interests of both the countries so as to sign a bilateral trade agreement by November 2025. Oil and gas , electrical and mechanical equipment, agricultural products , steel and aluminium , semiconductors . electronic items and consumer products could be the major items which could be covered in the bilateral agreement for boosting trade between the two countries in a balanced manner. In an ambience of deglobalization when developed nations are attempting to revitalize their economies through local production , it could be a mistake for India to continue with a strategy of growth through large scale exports to developed nations as China did. Instead, India has to move towards balanced trade with its major trade-partners in the developed world in the framework of bilateral trade agreements .*

## 1.US and trade deficit

During the reconstruction period after the Second World War , US prospered as a nation with a powerful industrial base catering to the requirement of the whole world . US had a trade -surplus in goods till 1976 . However , Reagan -administration marked the beginning of a strategy for massive import of cheaper consumer products and consumer -durables and such imports did help US to keep Inflation under control . Simultaneously , several US manufacturers transferred manufacturing activities to countries like China for maximizing

profit . Trade -deficit mounted year after year reaching a figure of 1065 billion \$ in 2023 . President Obama had identified the need for bringing manufacture back to USA . A committee was constituted under MIT President Susan Hockfield for examining the matter and submit suitable proposals . However, it was not possible to implement the proposals because of resistance from industries . President Trump tried to do the same during his first term without much success. US continues to have massive trade deficit . In fact , US has a trade-deficit with all its top 10 trade-partners . President Trump has imposed very high tariff on goods being imported from several countries hoping that local industries will rise to the occasion with competitive products for bringing down trade-deficit . We have to examine the India-US trade in this background .

## 2.Meeting between President Trump and Prime Minister Modi

During the meeting between Prime Minister Modi and President Trump in February 2025 , there has been some broad understanding for deepening the U.S.-India trade relationship to promote growth that ensures fairness, national security and job creation. The objective is to increase the bilateral trade ( goods+ services ) to 500 billion \$ by 2030 from 190 billion \$ in 2023 . It has been agreed that the negotiating teams from both sides will work out suitable solutions before November 2025 so as to sign a bilateral trade agreement . India will have to adopt a two pronged approach : a) to bridge the trade -gap b) to increase the trade in a balanced manner .

## 3. India – US trade ( figures in billion \$ )

India has been having a trade surplus with USA during the past several years. I give below the trade- figures ( export and import ) from 2020 to 2024

Year	US exports to India	US imports from India	US trade deficit
2024	41.75	87.41	45.66
2023	40.37	83.68	43.31
2022	46.94	85.52	38.57
2021	39.82	72.30	33.49
2020	27.08	51.25	24.17

Source <https://www.census.gov/foreign-trade/balance/c5330.html#2024>

Note : The trade during 2020 and 2021 was at a low level level because of COVID 19.

## Major items of trade between USA and India in 2023 ( figures in billion \$ )

HS code	Item	US export	US import
27	Mineral fuels	12.96	5.8
71	Pearls , precious stones, Jewelry	5.1	9.9
84	Reactors, boilers, machinery& appliances	3.75	6.2
85	Electrical machinery, sound/television recorders	2.38	11.08
90	Optica/photographical/medical eqpt	1.94	
39	Plastic articles	1.63	
29	Organic chemicals	1.47	2.4
38	Miscellaneous chemical products	1.15	
08	Fruits/Nuts	1.04	
30	Pharmaceuticals		8.1
73	Iron and Steel		2.8
63	Textile/woven clothing		2.78
87	Automobiles/ components		2.6
62	Clothing accessories		2.5
12/10/8	Agricultural products	1.8	4.8
	Total including other items	40.37	83.68

Source : ministry of commerce India . Note : there are differences in the figures released by India and USA mainly because of the difference in fiscal year ( October to September for USA and April to March for India )

It is clear that US has been having a trade deficit with India year after year and it was 43.31 billion \$ in 2023 and 45.66 billion \$ in 2024. . While it is true that USA has a trade deficit with all its top trading partners and India is low in the list , there is a need to examine the issues related to India for finding appropriate and mutually acceptable solutions . US has a trade deficit for 10 major items with India while India has a trade deficit for 5 items . It will be necessary to examine item by item and work out solutions for bridging the overall gap .

### 4. What does President Trump want ?

President Trump is right in his assessment that the huge trade deficits of USA year after year is because of the lower tariffs in USA and large number of countries have been taking advantage of this situation . President Trump wants to correct the situation by imposing dissuasive tariffs. While most of the tariffs are country-specific, there are also items like steel and aluminium for which tariffs are uniform for all . Will the local industries in USA rise to the occasion by manufacturing products at competitive prices so that supply and demand will match without causing inflation ? . Most likely not . Since this analysis pertains only to India , it will be necessary to examine the details of US-India trade . As far as I understood President Trump wants to apply reciprocal tariffs with India . US thrust will be centred

around agricultural products ( HS codes 12 /10/8 ) , automobiles/ automobile components ( HS code 87 ) , pharmaceuticals ( HS code 30 ) , electrical and electronic equipment ( HS code 85) and iron & steel ( HS code 73 ) .

## **5. What does India want ?**

As an aspiring global power, India has every reason for maintaining good relations with all the countries in the world particularly with USA. India is not yet in the list of top five trade - partners of USA and a bilateral trade agreement with USA protecting the interests of both the nations is of importance for India . India has to adopt a three-pronged approach :

- a) work out a mutually acceptable tariff structure with USA,
- b) protect national interests in the fields of agriculture , automobiles, pharmaceuticals and electrical /electronic equipment
- c) Improve trade for achieving balanced-trade ,

### **5.1.Mutually acceptable tariff structure**

President Trump is looking for reciprocal tariffs except for items for which USA wants to impose a uniform tariff for import from all the nations ( examples: steel , aluminium , copper etc ) . Indian team working on the matter will have to come up with a suitable tariff structure acceptable to USA by November 2025. Since most of the items being supplied by India are being supplied by China , Indian products could still be competitive in USA at least for some time . However , what is important is a lasting solution which protects the overall interests of both the nations . India has prohibitively high tariffs for certain products and USA wants this matter to be re-examined for supplies from USA. In the overall interests , it may be necessary for India to make suitable adjustments . Two critical areas are Agricultural products and automobiles. Import of aluminium and iron & steel from India could be a strategic choice for USA for reducing its dependence on China.

#### **5.1.1. Agricultural products**

Agriculture is an area of economic activity heavily subsidized by most of the developed countries in the world and USA is no exception . India also gives direct and indirect subsidies to the farmers and both USA and EU nations have filed a number of complaints against the

Minimum Support Price ( MSP ) system in India . In this background , it will not be easy to find a mutually acceptable solution .

India's export of agricultural products to USA was around 4.8 billion \$ against an import of 1.8 billion \$ in 2023 leaving a US deficit of around 3 billion \$. US is likely to insist on an ambitious programme to bridge this gap because agriculture is a sensitive matter in USA. The matter is also quite sensitive in India and the solution should not affect the Indian farmers . it will be necessary to analyse item by item and examine how the gap could be bridged .

### 5.1.2. India's trade of agricultural products .

I give below the data on India's total imports and US exports to India in 2023

India's total import in 2023 Million \$, US Fiscal Year (Oct-Sep)

Product	2019	2020	2021	2022	2023
Vegetable Oils	9,398	9,872	15,385	21,456	18,406
Tree Nuts	2,426	2,246	2,486	3,546	2,796
Pulses	1,400	1,468	1,831	2,035	2,642
Forest Products	2,202	1,494	1,968	2,222	2,259
Industrial Alcohols & Fatty Acids	724	571	942	1,338	832
Sugars & Sweeteners	373	490	469	195	821
Spices	554	575	727	766	810
Cotton	1,186	496	475	1,320	733
Fresh Fruit	378	332	600	579	568
Distilled Spirits	362	247	258	485	567
<b>Agricultural Products</b>	<b>22,122</b>	<b>21,317</b>	<b>28,640</b>	<b>38,405</b>	<b>34,526</b>

Source : US census bureau data BICO HS10

U.S. exports to India in 2023 million \$ . US Fiscal Year (Oct-Sep)

Product	2019	2020	2021	2022	2023
Tree Nuts	776	884	892	1,022	1,005
Cotton	571	155	196	518	237
Ethanol	318	330	199	250	148
Forest Products	55	40	47	80	81
Essential Oils	31	29	33	40	56
Dairy Products	56	47	29	36	39
Other Feeds, Meals & Fodders	12	16	23	28	29
Seafood Products	32	32	51	41	29

Dextrins, Peptones, & Proteins	45	25	32	26	27
Soybeans	5	43	5	7	26
<b>Agricultural Products</b>	<b>2,112</b>	<b>1,738</b>	<b>1,644</b>	<b>2,416</b>	<b>1,731</b>
<b>Agricultural &amp; Related Products</b>	<b>2,200</b>	<b>1,811</b>	<b>1,742</b>	<b>2,538</b>	<b>1,842</b>

*Source: U.S. Census Bureau Trade Data – BICO HS-10*

It can be seen that vegetable oil is the topmost import -item of agricultural products by India (18.4 billion \$ representing 53 % of the total import of agricultural products) . Soyabean oil is the topmost agricultural product exported by USA ( 28 billion \$ in 2024 ) and a suitable solution could be worked out for increasing import of vegetable oil from USA without affecting Indian farmers . Since China is reducing its import of soyabean oil , it could present an opportunity for india to get a good price.

### **5.1. 2. Automobiles**

India has a fast-growing passenger- car industry dominated by Maruti- Suzuki with 41.6 % of market share , Hyundai motors ( 14.9 % ) , Tata motors ( 12.3 % ) Mahindra and Mahindra ( 11.4 % ) , Toyota ( 6.1 % ) , KIA ( 5.5 % ) and Honda ( 2.7 % ) are the other manufacturers . The annual production in 2023 was around 4.6 million cars . Although GM and Ford had made an attempt a few decades ago for local production for catering to the Indian market , both abandoned manufacturing activities in India . in 2023 , India imported cars and components worth 773 million \$ primarily from Germany ( 185 million \$ ) UK (140 million \$ ) China ( 97 million \$ ) , Slovakia ( 64 million \$ ) and Japan ( 59 million \$ ) . India charges 70 % to 100% import duty on cars and components . USA is not present in this market in India now . Consequently , it should be possible for India to persuade USA to overlook this issue . However USA has an interest to enter the Indian market with electric cars of TESLA. In fact BMW electric cars model iX made in USA are already available in India. India has already announced a “ Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI) “ with attractive terms including a tariff of 15 % to companies investing at least 500 million \$ in India for setting up manufacturing facilities .

### **5.1.3. Iron and steel , Aluminium**

China is the biggest producer of steel and aluminium with around 53 % of the world production for steel and 59 % for aluminium . India is a distant second at 6.6 % for steel and

5.9 % for aluminium . In 2023 , US imported steel worth of around 86 billion \$ and aluminium worth of around 27 billion \$. India represented around 4 % of US imports of aluminium and 5% of US imports of steel . There will be scope for mutual cooperation for a higher level of US imports of both steel and aluminium from India . This also may give a new window of opportunity for India to set up new factories for the manufacture of iron & steel and aluminium in India with US participation .

## **6. Conclusions**

6.1 Four decades ago , Globalization was presented as the panacea for prosperity for all the nations through global investments and global sourcing . Developed nations and a few developing nations did have an advantage for a few decades . However , it is clear that the developed nations are now facing the negative effects of globalization through economic deficits, social deficits and even technical deficits . Apart from these deficits , disruption of supplies due to geopolitical uncertainties and even possibilities of weaponization of supply chain are realities and USA is compelled to address these issues in its own interests . Local sourcing , proximity-sourcing and sourcing from friendly nations will lead to a sort of deglobalization . If India wants to maintain good trade-relations with USA, there is no other way other than working out a mutually acceptable solution .

6.2. India has to see the writing on the wall that its growth-strategy can not be based on massive exports with huge trade -surplus similar to what was done by China . Instead , it has to be based on domestic consumption and balanced-trade through bilateral trade-agreements with major trade-partners .

6.3. As agreed during the visit of Prime Minister Modi to USA in February 2025 , India and USA should work out a plan for achieving the targeted bilateral trade of 500 billion \$ ( goods and services ) by 2030 balancing the overall trade in a manner acceptable to both the countries for protecting their national interests.

6.4. Trade in agricultural products is a very sensitive issue for both USA and India . Direct and indirect subsidies given to farm-products by both the countries mask the real cost and hence export-price alone can not be the main criterion . A balanced trade with a basket of goods which will not affect the interests of farmers in each country should be the criterion .

6.5. Automobile industry is the engine for growth in both the nations and the tariff policy should not be dissuasive . The technology is in transition now and we can expect major changes in technology with the possibility for adoption of hydrogen -IC engines with potential use of natural hydrogen. Over- emphasis on Electric vehicles may give way to a balanced approach with the coexistence of new versions of fossil-fuel based IC engines, hydrogen based IC engines and electric vehicles in different segments of transport within the same country . This may give an opportunity for automobile industry in USA and India to work together for mutual benefit .

6.6. Semiconductor industry offers a great opportunity for USA and India to work together for mutual benefit . A vertically integrated semiconductor industry in India from design to production could offer state of the art products to USA for adoption of AI in a big way .

6.7. USA being one of the biggest importers of iron& steel and Aluminium there will be scope for mutual cooperation for a higher level of US imports of both steel and aluminium from India .

6.8. People to people relation between USA and India has always been good . Successful performance of Indian-Americans in USA with valuable contribution in USA in several fields could work as a catalyst for better industrial cooperation between USA and India . However , USA will have to respect India's sensibilities and try to discourage American politicians , American NGOs and activists attempting to interfere with India's internal issues particularly related to caste and religion . India has enough problems in these domains and India should be allowed to sort out these issues internally without getting converted as international issues .

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