

India's Strategic Opportunity in the Evolving US Tariff Landscape



The global trade landscape is currently being reshaped by the United States' (US) evolving tariff strategies. This presents a unique "moment" for India, positioning it as a potential beneficiary amidst shifting supply chains and renewed trade negotiations. India is actively responding to existing US tariffs on goods, such as steel and aluminum, and exploring opportunities arising from trade tensions between the US and other major economies.

India is engaged in crucial discussions with the US for a Bilateral Trade Agreement (BTA), with expectations of an interim deal. Reports suggest the US may aim for tariff rates on Indian goods to be below 20%, offering India a competitive advantage. India, in turn, seeks even more favorable terms, asserting its rights under World Trade Organization (WTO) regulations and proposing retaliatory tariffs in response to US safeguard duties.

Negotiations are complex, particularly concerning market access for US agricultural and dairy products. India maintains a firm stance on protecting its dairy sector, citing potential losses for farmers. While open to some genetically modified (GM) agricultural products for animal feed, India remains cautious about the broader import of GM crops. Conversely, India seeks expanded market opportunities in labor-intensive sectors like textiles and electronics.

Even without an immediate comprehensive deal, India has avenues to diversify exports. India demonstrates a strong comparative advantage in sectors like chemicals and pharmaceuticals, which could see expanded exports to the US as other countries face higher tariffs. A recent report by NITI Aayog (National Institution for Transforming India) indicates India stands to gain a competitive edge in 22 of its top 30 Harmonized System-2 (HS-2) product categories exported

to the US. This is largely due to increased tariff burdens on competitors like China, Canada, and Mexico.

Beyond immediate economic gains, the US tariff strategy and trade talks are viewed as part of a broader strategic partnership. The US continues to position India as a vital counterweight to China in the Indo-Pacific region, fostering cooperation in critical sectors and presenting India as an attractive alternative for supply chain diversification. This could draw foreign investment away from traditional supply chains.

However, challenges persist. Ongoing negotiations and the US tariff deadline of August 1, 2025, create uncertainty for Indian businesses. WTO disputes, such as US concerns over India's dairy certification, further complicate bilateral relations. The broader geopolitical context, including the US's stance on trade with nations like Russia, also adds complexity.

India's pivotal position in the US's evolving tariff strategy is a delicate balance of negotiation and strategic foresight. While navigating challenges, India has substantial opportunities to boost its export competitiveness and attract investment as global supply chains reconfigure.