

India eyes opportunity in Trump's tariff war with China

Govt identifies electronics, pharma, auto parts among sectors primed to benefit

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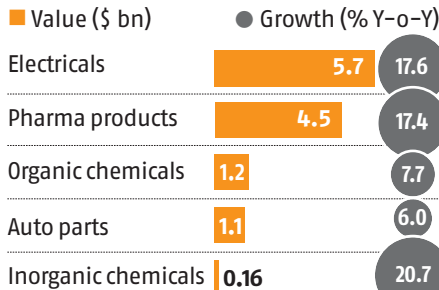
India has identified key sectors, including electronics, pharmaceuticals, textiles, automobile components, and chemicals, to boost exports to the US, eyeing opportunities arising from a potential trade war between Washington and Beijing under Donald Trump's presidency. The government is weighing policy measures to capitalise on this emerging dynamic, according to officials.

"India can perhaps gain," a senior official told Business Standard. "We are doing product-wise analysis and looking at sectors, such as electronics, pharmaceuticals, man-made fibres (in the textile sector), auto components, and chemicals, where India can have an advantage."

He noted that Trump's proposed tariff hike for Chinese goods could enhance India's cost competitiveness. However, steel remains an exception, with the US main-

DESTINATION AMERICA

Merchandise exports to the US during April-September 2024:



Source: Dept of Commerce

taining a protectionist stance in this sector.

Trump has already pledged to impose tariffs of 25 per cent on imports from Canada and Mexico and 10 per cent on goods from China when he takes office on January 20. During his election campaign, he floated the possibility of 10-20 per cent tariffs on imports across the board, with a particularly steep 60 per cent levy



on Chinese goods.

While India has been not targeted in Trump's initial tariff wave, so far, the commerce department has been holding hectic meetings to prepare for potential fallout from these policies.

BVR Subrahmanyam, chief executive officer of Niti Aayog and former commerce secretary, hinted at policy measures to seize opportunities created by Trump's tariff

regime during a media briefing on Wednesday for the launch of Trade Watch Quarterly. "I think there are opportunities for us in it. The numbers are immense - there are going to be huge disruptions in US trade," he said.

"For us, there will be a huge opportunity, and if we can prepare ourselves, it can lead to a massive boom, since there will be a trade diversion. Are we going to catch it is the big question. That's what we are all concerned about, and you can see some steps in the next few months," he further said.

India is also keeping an eye on potential moves by China, including a possible devaluation of the yuan in response to US tariffs, as it refines its trade strategy.

Despite Trump's repeated criticism of India as a "high tariff nation" and an "abuser" of import tariffs, officials believe his focus is on countries with which the US is running high trade deficits. India does not rank among the top five or six of such nations, giving it some breathing room.

Be wary of China dumping products in India: Niti report

The US is India's largest trading partner and top export destination, as well as its fourth-largest source of imports. That apart, India's economic integration with the US has been growing for more than two decades.

US demand for Indian goods has risen steadily, with imports growing from \$9.7 billion in 2001— just 0.9 per cent of US global imports — to \$87.3 billion in 2023, representing 2.8 per cent of America's total imports.

Meanwhile, the trade war between the US and China has disrupted global supply chains. Washington's tighter export controls and higher tariffs on Chinese goods are aimed at curbing Beijing's technological

ambitions. "This has led to a fragmentation of global supply chains, prompting multinational corporations to seek alternatives to Chinese manufacturing. The trade war has caused increased costs and production delays, impacting global markets," noted a recent Niti Aayog report.

According to the report, this situation presents both challenges and opportunities. "On the one hand, India has to navigate the disruptions in the global supply chain, and be wary of China dumping its products in Indian markets. On the other hand, India is seen as an attractive destination for companies looking to shift their manufacturing bases out of China," the report added.
