

World Trade War: Bharat's Swadeshi Response

Author: **Sh. Satish Kumar**
Akhil Bharatiya Sah-Sangthak
Swadeshi Jagran Manch

Contributors: **Miss. Sonali Chadha**
Assistant Professor (Guest),
Maharaja Agrasen College, Delhi University

Mr. Nishant Chaturvedi
Researcher at Swadeshi Shodh Sansthan

Price
50/- Rs.

Publication

Swadeshi Swavlamban Nyas

"Dharmakshetra", Babu Genu Marg,
Sector-8, R.K. Puram, New Delhi-110022

Tel.: 011-26184595

Website: www.swadeshionline.in, www.joinswadeshi.com

Email: swadeshipatrika@rediffmail.com, editor.swadeshionline@gmail.com

World Trade War: Bharat's Swadeshi Response

Author

Sh. Satish Kumar

CONTENTS

1. Foreword	6-18
2. Abstract	19-20
2. <i>Chapter-1</i> : Introduction	21-32
3. <i>Chapter-2</i> : Bharat and the Trade War: Macroeconomic Consequences	33-40
4. <i>Chapter-3</i> : Trade War and Its Effect on Different Sectors	41-50
5. <i>Chapter-4</i> : US-China Trade War: Bharat's Likely Response	51-56
6. <i>Chapter-5</i> : Conclusion and Way Forward	57-64
7. References	65-66

Foreword

What is the Global Trade War?

The President of the United States, Mr. Donald Trump, has imposed tariffs (import duties) on 90 countries around the world, including Bharat. That is, the U.S. has levied additional charges on the goods imported by the United States from countries with a trade deficit. These tariffs generally range from 10%, with the highest imposed on China. Initially, a 34% tariff was imposed on China, which later increased to as much as 245%. All this happened unusually—these unilateral declarations were made without regard for the rules of the World Trade Organization (WTO), including all its frameworks like TRIPS, TRIMS, etc. The entire world is shocked and troubled by this. This is what is being called a trade war.

The main reason behind this is the promises made during the U.S. presidential election held last November, in which Republican candidate Donald Trump emerged victorious. He had made this a central issue of his campaign—that the U.S. trade deficit, which had increased to \$1.02 trillion, had weakened America's manufacturing sector and increased unemployment, and that he would fix it. He said that if the U.S. did not reduce its imports, it would face economic problems and a higher trade deficit. Therefore, as soon as he became President, he announced the imposition of these tariffs.

Although everyone knew this was likely to happen, no one expected it to be so sudden, on such a large scale, and to apply to all countries. The U.S. also imposed stringent tariffs on its long-time allies such as Canada, Mexico, and the European Union. He also made various unilateral declarations under the banner of misguided nationalism, such as calling Canada the 51st state of the U.S., referring to the Gulf of Mexico as the American Gulf, proposing to absorb the country of Greenland into the U.S., and declaring Gaza a tourist destination. These, too, are being considered part of the global trade war.

Western thinking has brought calamity

Although the Prime Minister of Bharat, Mr. Narendra Modi, visited the United States and shares good relations with Donald Trump, and even the heads of state of England and Australia visited, Trump did not listen to anyone. In reality, Donald Trump is a billionaire businessman who has always operated with an aggressive business style. He believes that with this aggressive trade approach, he can once again make the United States the focal point of the world economy. Now, although the United States has long appeared strong on the external front, internally it is quite unstable, especially due to its continuously increasing trade deficit. Manufacturing is on the decline. In the year 2024 The U.S. faces an annual trade deficit of approximately \$172 billion with Mexico, \$64 billion with Canada, and another \$295 billion with China. It also has an annual deficit of about \$40 billion with Bharat and a deficit with the European Union as well.

Even though the U.S. has \$1.02 trillion in service exports, the main issue pertains to goods. The root cause is not low tariffs, trade policy agreements, or even the WTO, which the U.S. itself helped establish. In truth, American society has for years been a victim of consumerism. They earn less and consume more. On average, each American possesses around 11 credit cards. They typically indulge in leisure two to three days a week. Expensive cars, costly alcohol, luxurious hotels-even on credit-they continue to consume.

The GDP of the United States is \$28 trillion, while its debt has reached \$36 trillion. This means that the grandeur and lifestyle of America are built on debt. This is not wealth earned by them. On the other hand, the culture of Western countries is such that rather than looking inward or making their children hardworking, enterprising, and frugal, they constantly devise strategies (or conspiracies) to extract money from the rest of the world. This has increased their troubles, yet they keep coming up with new, perverse schemes to drain global wealth. This global trade war is a result of exactly that.

A false cry of Liberation

On April 2nd, while observing Liberation Day, the President of the United States imposed tariffs on 90 countries around the world, including Bharat. A 26% tariff was levied on Bharat. This will hurt exports from Bharat to the U.S., which amounted to \$86.51 billion in the year 2024-25. Since the U.S. is Bharat's largest trading partner, this move is significant. Bharat exports a large volume of engineering goods, textiles, pharmaceuticals (medicines), gems and jewelry, handicrafts, and more to the U.S., from which Bharat earns a trade surplus of approximately \$41-42 billion. Due to these new tariffs, there is a likelihood that the volume of Bharat exports will decline. And when exports fall, manufacturing decreases, and employment opportunities are reduced. This leads to a decrease in jobs.

An increasing trade deficit may further cause the Bharat Rupee to weaken against the U.S. Dollar, making this a matter of concern. Following this announcement by the U.S., stock markets around the world began to plunge. Markets in Bharat, the U.S., and globally experienced sharp declines. Notably, the U.S.'s stock index crashed to a low level. A large number of people in the U.S. began to lose their jobs. Its bond market also started to collapse. As a result, President Trump grew concerned, and within just 7 days, he placed a 90-day hold on reciprocal tariffs. Moreover, when the CEOs of U.S. companies informed Trump that they source raw materials in large quantities from across the world, including China, and that these tariffs would create operational difficulties for their companies, he temporarily lifted all tariffs on electronics and mobile-related products from any country, including China.

The U.S. ended up turning everyone against it.

Therefore, it is also likely that the greatest loss from imposing these tariffs may ultimately fall on the United States itself, which began to show signs of instability within just 12 to 15 days of the initial action. Initially, it had declared that no agreement would be made with China, and imposed tariffs as high as 245%, but within

just five days, it began saying that a great deal with China is on the way, and that negotiations are underway.

Donald Trump is known for his stubborn nature and short temper. Although he was elected democratically, his ways of functioning are more akin to those of a dictator. All in all, Bharat, the United States, and the rest of the world have found themselves in a peculiar situation due to this global trade war. It is widely anticipated that this will lead to a decline in GDP for both Bharat and the global economy, and that jobs will be lost. Even within the U.S., there will likely be a downturn and rising unemployment-in short, the U.S. itself will suffer the most.

It is a different matter that countries like Canada, Mexico, and the European Union, which were once considered its closest allies, were not prepared for such a trade war. Thus, they may endure the most hardship. China continues to fight on equal footing. The European Union has not backed down. Canada and Mexico have also stood firm. In fact, no country in the world has yielded to Trump's unilateral declarations. Negotiations will happen, and eventually, after 6 to 8 months, there may be some stability. But overall, this entire episode has spread a sense of negativity towards the U.S. across the world, including in Bharat.

Positive Outcomes of the Global Trade War for Bharat

This is not only because Prime Minister Modi has good relations with Trump, but also because the U.S. already has hostile ties with China. Whether the U.S. wants it or not, Bharat remains the only major country capable of supplying essential medicines, textiles, and handicrafts at reasonable prices. Bharat can offer some concessions on certain items such as U.S. cars, motorcycles, IT, and the services sector. In any case, Bharatn entrepreneurs are known to adapt and operate in various innovative ways. Moreover, compared to China and other countries around the world, Bharat's tariff rate (26%) is relatively low. Because of this, Bharatn goods will remain competitively advantageous in the U.S. market. Hence, it is even being speculated that, in the end, Bharat's trade with the U.S. may increase as a result of all this.

Dragon in the crossfire: Fallout of the trade war on China

In this trade war, a major player standing against the U.S. is China, which has effectively become the world's factory at present. Of all global manufacturing, about 26-27% originates from China alone. The U.S. faces an annual trade deficit of approximately \$295 billion (year 2024) with China. If there is any one country posing the greatest challenge and difficulty to the US, it is China. That is why the US has imposed the strictest tariffs, going up to 245%, on Chinese goods.

From a strategic and global influence standpoint as well, the biggest challenge to the U.S. is China. Although the Chinese leadership has so far demonstrated maturity, it too has imposed tariffs of up to 125% on U.S. imports. China has refused to buy Boeing aircraft, has declined to supply rare earth metals, and has banned American films. However, a major crisis looms for China-its largest trade partner may now be lost. Unemployment may rise. China is already grappling with a property and real estate crisis, is troubled by an aging population, and is entangled in a declining GDP. It is now unclear how to handle this new crisis. Its GDP is falling below 4%, and at this point, it may not be able to bear the brunt of U.S. tariffs.

Although this brings with it another threat: China may begin dumping goods into Bharat and other countries across the world. Bharatn companies might give in to the temptation, but Bharat must stay alert. Only if the Bharatn government remains vigilant can the influx of cheap Chinese-dumped goods be prevented.

China's turmoil, Bharat's Crucial test: Trade War Ripples effect

Although China is trying to improve its global image and build strategic and trade relations, it is achieving some degree of success in this effort. One reason for this is the arrogant leadership of the United States. Earlier, most countries around the world considered America as their big brother, but now, as negativity toward the U.S. is spreading globally, including in Bharat, sympathy

towards China is emerging, even in Bangladesh and Southeast Asian countries. Hence, in this global trade war, China appears to be standing firmly against the U.S. and drawing the world toward itself. What lies ahead will be revealed by time, but Bharat too faces a significant challenge—on one side, the onslaught of cheap Chinese goods, and on the other, U.S. tariffs. Bharat must find its path between these two pressures. Chinese companies have already made several offers to supply their goods cheaply to Bharat and other countries around the world.

Other major countries involved in this global trade war include Mexico, Canada, the European Union, and the United Kingdom. In addition, Japan, Indonesia, Vietnam, and Pakistan are also part of the scenario. The African countries do not hold a strong position; they tend to shift based on the direction of the wind. However, Brazil, South Korea, and South Africa are among the countries that may enter negotiation talks with the United States, but they will never side with China.

The US created WTO: Will the US leave WTO?

It was after the First World War (1914-1918) that the United States emerged as a powerful nation. Eventually, during the Second World War (1939-1945), the U.S. established itself as the world's leading superpower, especially when it defeated the Axis trio—Japan, Germany, and Italy—alongside the United Kingdom. By that time, the U.S. dollar had replaced the British pound as the international currency.

Particularly in Japan, when the United States dropped atomic bombs, killing hundreds of thousands of people instantly, Japan was forced to surrender. Hitler committed suicide, and Germany and Italy were already crushed by that point. During the 1940s and 1950s, America and the United Kingdom formed the United Nations, the World Bank, and the IMF, realizing that in the era of political and military advancements, especially with the development of atomic weapons, direct colonization was no longer feasible. From then on, their focus shifted solely to extracting trade and economic benefits from across the world.

USSR as the Second Major Power

At this point, Soviet Russia emerged as the second major power opposite the United States, and a Cold War ensued between the two. However, America continued to extend loans across the world through these major institutions, and in exchange, expanded the reach of its companies globally. After the collapse of the Soviet Union in 1990, the United States established the World Trade Organization (WTO) because by then, America was not able to extract as much trade from the world as it desired.

To extract more trade, more money, and to increase the influence of its corporations, the U.S. collaborated with Europe to form the WTO. The entire world was compelled to follow it and become its member, much like what is happening today with tariffs. Within the WTO, rules like TRIPS, TRIMS, and others were designed in a way that benefited only American companies and governments.

But during this same period, China began to rise as a major economic power. On the other hand, Bharat's youth power made a significant push, and Bharat began rising rapidly in both the service and manufacturing sectors. Vietnam and Indonesia also picked up momentum. Pakistan could have risen as well, but it remained entangled in its internal affairs. This marked the beginning of the emergence of new geopolitical and economic centres in the world.

America: Couldn't Win, so it redefined the Game

All in all, for five decades, Europe and America remained the center of economic, strategic, and political affairs, but now that center has shifted towards Asia, and within Asia, Bharat, China, and Japan have emerged as major player nations. In addition, Indonesia, Vietnam, and to some extent Bangladesh have also emerged as strong nations. Now, as America started feeling that it was not gaining much benefit from the WTO and its regulations, it began the process of changing all the trade rules altogether.

The very United States that created the WTO is now ignoring it and is focused on making its own new rules. It has withdrawn

from the environmental treaty, exited the World Health Organization, does not accord much recognition to the United Nations, and wants to change the rules of NATO. Now, its sole thinking is "America First" and "Make America Great Again". Liberalization, Privatization, and Globalization now seem useless to it. The U.S. believes that the entire world should work solely to benefit America, which is no longer feasible.

Asia and Bharat: The Center of the World

With the rise of Bharat and China in the world, particularly in Asia, new equations have emerged. China's GDP is declining, its population is aging, while on the other hand, Bharat's GDP is not only the fastest-growing economy among the G-20 countries at 6.5%, but also has the largest youth population globally. Bharat's democracy is stable, and its leadership is capable. Therefore, in the next 10-12 years, there is a strong possibility that Bharat will emerge as a major global power, as Bharat not only has the heritage but also the experience to support this rise.

Bharat's Biggest Challenge: China

Bharat's major challenge is the tariffs imposed by the United States on the one hand, but Bharat's biggest challenge is China. Bharat has had trade relations with China for years, which have consistently resulted in a deficit. Currently, Bharat's total trade with China stands at 126-127 billion dollars, out of which only 13-14 billion dollars is Bharat's exports. In other words, Bharat faces an annual loss of nearly 100 billion dollars due to this trade imbalance. This not only floods Bharat's markets with Chinese goods, but also increases unemployment in Bharat, as domestic manufacturing is not able to compete. Therefore, Bharat needs to think more critically to tackle this second challenge.

Many goods imported from China are indeed used in Bharat after value addition. For example, APIs (Active Pharmaceutical Ingredients), which are the primary chemicals used for manufacturing medicines, are bought in large quantities from China. These are then value-added in Bharat, and the medicines are exported

to Europe, America, and the world. Therefore, some goods must be imported from China. However, it is not appropriate to import finished products or engineering goods from there. Therefore, even though the government has taken steps, it will need to take tougher measures, and society must also prepare itself for this challenge.

Embrace the Path of Swadeshi

No Chinese goods at any cost," if this sentiment is adopted not only by individuals but also by companies and business institutions, then progress will be possible. The key is that we need to develop technology and manufacture goods at a competitive rate comparable to China, but with quality. Only then can we truly compete with China.

In other words, we must once again return to the strong spirit and idea of self-reliance and self-sufficiency. Only then will we be able to successfully counter China's challenge. As it has already been mentioned that labor costs in China have risen, its population is aging, and with the imposition of American tariffs, companies are now reluctant to operate in China. This opens up the possibility of manufacturing shifting from China to Bharat. For this to happen, both society and the government need to work together. This will be the only way it is possible. Making Bharat the "factory of the world" is the most appropriate way to compete with China.

World Trade War: Bharat Needs a New Mindset

A big question that arises in everyone's mind is: How long will this global trade war last? There is little possibility of it ending soon, and it could go on for an extended period. Bharat will need to take immediate steps to address the current situation, but a long-term strategy must also be developed. New ideas and innovations will be required. The response should not just be focused on the immediate effects of American tariffs or planning to export a certain amount of goods in the short term. Instead, the focus should be on what plans Bharat will need to make to master manufacturing, services, and agriculture over the next 20-25 years, and how to approach this with new ideas and a fresh perspective.

Think Big, Think New, Think Out of the Box

For example, is it possible to make gold the global currency and make the Bharatn rupee a more widely used currency in international trade? Japan, the European Union, Southeast Asian countries (who are not aligned with China), and countries like the United States, which have closed their doors to these nations, need a unified leadership to guide them. Bharat must think about a broad strategy that can bring these nations together under a common cause.

Currently, 200 countries in the world are ready to follow a leader with a broad vision, one who does not think only of their interests but aims for the collective good. Bharat has the potential to lead such an initiative. Therefore, Bharat should not only focus on bilateral or multilateral trade agreements but also think about strategic alliances. These can be formed without necessarily engaging in conflict with the United States.

Talented Individuals Drive Growth

To bring back Bharatn talent from around the world, a strategic plan must be devised. Ultimately, it is the capable individuals who make a family, society, or nation prosperous. If our graduates from IITs and IIMs can be selected by American and European companies, and lead them, then if we bring them back to Bharat, they can achieve the same success here as well. Technology is the biggest need of the present time, and these new technocrats will help Bharat in realizing its potential.

To make this a reality, Bharat needs to focus on various plans and emphasize global agreements. Currently, we only appeal for foreign capital, but by bringing both Bharatn talent and technology back into the country, Bharat can become a hub for manufacturing and other economic activities more rapidly, which is also an essential condition for becoming a global leader.

As far as agreements with the United States or the European Union are concerned, they must be based on a win-win approach. Only then will they be sustainable and long-lasting. With credibil-

ity as the foundation, Bharat can succeed in rebuilding a beautiful and prosperous world for everyone.

Swadeshi Bharat's Ultimate Weapon

In this grand world trade war, where the United States possesses the weapon of tariffs, China has the weapon of cheap goods, and the Middle East has the weapon of oil, Bharat's only weapon to emerge victorious in this global conflict is the weapon of Swadeshi (self-reliance) and self-sufficiency.

Bharat's total population stands at 1.45 billion, which is a world in itself. In 1900, the world's population was only 1.5 billion. A key point here is that Bharat has developed a middle class of 570-580 million, which has significant purchasing power. We can be self-reliant and Swadeshi (self-sufficient) in terms of production, consumption, and trade. Furthermore, Bharat's biggest asset is its youth power-37 crore people between the ages of 15 and 29. If this youth is inspired by the spirit of Swadeshi, adopts entrepreneurship, and works with full dedication, with social, religious, economic, and educational leadership encouraging and training them, Bharat can certainly use this Swadeshi Brahmastra (ultimate weapon) to win this war.

In terms of GDP, Bharat is about to become the third-largest economy in the world. However, in Purchasing Power Parity (PPP), Bharat is still ranked third globally and is likely to soon be second. Therefore, Bharat just needs to decide to follow the path of self-reliance (Swadeshi). Whether it's the general public or governments, everyone must work with a spirit of Swadeshi.

Even if American brands like Tesla cars, Starlink, or David Harley motorcycles, or China's cheap goods, come to Bharat, they will find no buyers here if we, as consumers, decide not to purchase them. The key is to have the mindset to buy Swadeshi products.

We've all heard the example of Japanese people not buying large, cheap oranges from the U.S. If the Japanese can do that, why can't we Bharatns? At every level, whether it's toothpaste, soap, or even building rockets at ISRO, we must adopt a Swadeshi ap-

proach, use Swadeshi products, and Swadeshi technology. Only then will Bharat emerge victorious in this struggle.

No Communism, no capitalism. We need Nationalism

From 1947 to 1991-92, Bharat followed socialist economic policies inspired by Russia. (Complete centralization was done, and it was government-based.) However, this had detrimental effects. By 1990-91, the Soviet Union had collapsed, and our economy was in ruins. In 1991-92, when it was time to create a new economic structure, the government decided to adopt the capitalist model inspired by America. At that time, the founder of the Swadeshi Jagran Manch, respected Dattopant Thengadi Ji, had said that this would be like coming out of a well and falling into a pit.

By adopting this capitalist model, which was inspired by America, we would not be able to benefit our nation. We do not need communist policies nor capitalist ones, we need to follow nationalist and swadeshi (indigenous) policies. Only this will bring prosperity to Bharat. However, at that time, the entire world was captivated by the mantra of liberalization, privatization, and globalization, which was being promoted by America and Europe. While America and Europe were pushing for these reforms, Shri Thengadi Ji stood against it and spoke out. This is when the Swadeshi Jagran Manch was born.

Swadeshi is the Ultimate Solution

What Thengadi Ji was proclaiming at that time is now being acknowledged by America's leadership as well. The U.S. has completely reversed its stance on globalization and is now promoting the slogan of "American Swadeshi" or "American Nationalism."

In reality, every country has its own economic model, and it should have one. This model is based on the country's people, culture, language, food, local resources, thinking patterns, capabilities, intellect, skills, etc. A country should develop its internal and external trade policies based on these factors.

To make Bharat a prosperous and great nation, it must adopt a fully swadeshi (indigenous) and self-reliant path-only swadeshi

and self-reliance. Instead of merely imitating the policies of America, China, or Russia, Bharat must create its own new policies based on its own context. This path will be challenging, but it is the most suitable one. Through this, Bharat will not only remain economically strong but can also become a global leader. For this, the government must take firm steps, and there should be a widespread public awakening about a new swadeshi and self-reliance movement within society.

Bharat's Victory is Unstoppable

Victory is undoubtedly certain; this is certain. The final verse of Chapter 18 of the Bhagavad Gita says, यत्र योगेश्वरः कृष्णो यत्र पार्थो धनुर्धरः । तत्र श्रीविजयो भूतिध्रुवा नीतिर्मतिर्मम (Wherever the divine presence of Lord Krishna resides and where the soul aligned with righteousness stands (represented by Arjuna), there will surely be the victory). In this battle, society, the business world and the government must all work together in coordination. The government should focus on creating global agreements and economic policies (within the framework of swadeshi). The business world should bring in necessary people and technology from abroad, while striving to produce high-quality products on their own, which are also reasonably priced. Then, the customer and the general public must adopt the mindset of buying only swadeshi, regardless of the situation. The thought should be: "Desi by choice, Swadeshi by necessity, Foreign by compulsion and gradually reducing foreign dependence."

This powerful swadeshi mindset must be adopted by all three - society, the business world and the government working in coordination. Then, victory will surely be ours and this is certain.



Abstract

The trade war initiated by U.S. President Donald Trump, aimed at reviving American manufacturing and reducing the trade deficit, led to the imposition of tariffs on various global economies, including Bharat. The imposition of the tariff is projected to generate over \$6 trillion for the U.S. economy, creating ripple effects worldwide. Bharat, despite not being a direct participant in the conflict, faced tariff hikes on its steel and aluminium exports as well as several other sectors, complicating bilateral trade. Prime Minister Narendra Modi's efforts to strengthen trade ties during his U.S. visit were overshadowed by Trump's protectionist stance, leaving key economic issues unresolved. The book conceptualises US-Bharat trade volume, trade deficit and the recap of the previous trade war of 2018-2020 and also tries to assess the impact of higher US tariffs on several macroeconomic indicators, results revealed that an increase in US tariffs on Bharat's imports might harm GDP, employment, and household income, Bharat's exports, and policy response options for Bharat. In addition to this, the qualitative analysis carried out in the book throws light on various implications for the supply chain disruptions and the likely impact of US tariffs on different sectors of Bharat's Economy Agriculture, Automobiles, Diamond and Jewelleries, Electronics, etc. In 2025, amidst escalating global trade tensions triggered by a renewed wave of U.S. protectionist policies, President Trump unexpectedly announced a 90-day pause on all "reciprocal" tariffs, though a lower 10 per cent blanket tariff remains in effect for Bharat and most other nations, along with a separate 25 per cent tariff on all steel, aluminium, and automobile imports. In anticipation of the April 2 decision Bharat had unilaterally reduced tariffs on U.S. products such as Harley-Davidson motorcycles and bourbon whiskey. It also offered to cut duties on over half of its U.S.

imports worth US \$23 billion. Bharat's bilateral trade with the U.S. reached US \$129 billion in 2024. However, tariffs imposed on China hiked from 104% to 125% which further goes on to 245%.

This strategic recalibration, though framed as part of a broader negotiation tactic, reflects the mounting international pressure and domestic economic concerns in the U.S. While Bharat was not among the countries directly mentioned, the pause indirectly signals possible shifts in future tariff trajectories, offering a temporary relief in uncertainty but not eliminating the persistent risks tied to U.S. unilateral trade actions.

Further in the face of the intensifying global trade war triggered by renewed U.S. protectionist policies in 2025, Bharat has mounted a decisive and multifaceted response to safeguard its economic interests and assert its position as a resilient global trading power. A cornerstone of this strategy is the overhaul of logistics infrastructure under the National Logistics Policy, aimed at reducing domestic logistics costs currently 14 -18% of GDP to the global average of 8%. This effort empowers indigenous industries and aligns with the Swadeshi and Aatmanirbhar Bharat visions by strengthening internal supply chains and reducing reliance on costly imports. Complementing this is the rollout of the Bharat Trade Net (BTN), a unified digital trade documentation system designed to streamline exports, cut clearance times by up to 40%, and boost investor confidence. Bharat is also accelerating trade diversification through active negotiations on Free Trade Agreements (FTAs) with the EU, UK, Australia, and Canada, while strategically engaging with Asian, African, and Latin American partners to reduce dependency on Western markets. These initiatives collectively reinforce Bharat's trade efficiency, open alternative export corridors, and turn global disruptions into an opportunity to elevate domestic manufacturing and Swadeshi exports on the world stage. However, it is obvious that Bharat, though not a direct part of such trade wars going to face cascading effects in trade and strategic issues having long-term effects.



Introduction

Tariffs once again played a central role in the 2024 U.S. presidential election debate. Donald Trump, who refers to himself as a "Tariff Man," proposed several protectionist measures during his campaign. These included a 10% (sometimes 20%) increase in tariffs on all imports from every trading partner, a 60% tariff hike on all goods from China, the implementation of strict tariff reciprocity based on product and country, and a major tax overhaul aimed at raising U.S. tariffs to a level that would replace federal income taxes. Additionally, Trump proposed a 100% tariff on imports from countries that cease using the U.S. dollar in international transactions. His objectives were multifaceted: reducing the U.S. trade deficit, re-industrializing the country, bolstering national security, preventing nations from abandoning the U.S. dollar, raising revenue to replace income taxes, funding a 1% corporate tax cut, and financing a childcare program.

It is evident that while Bharat is not directly involved in the trade war, it will inevitably experience its cascading effects on trade and strategic matters. In addition, Trump 2.0 will likely strengthen US-Bharat security ties. Meanwhile, the Federation of Bharat Export Organisations (FIEO) believes that Bharat could benefit in certain sectors if the US reduces its reliance on Chinese imports. Apart from this, Trump's return is a potential opportunity for Bharat. These perspectives present a mixed outlook, acknowledging both potential gains and the broader uncertainties in the global landscape.

Modi's Visit and Trade Deal F-35

Despite ongoing negotiations to enhance trade and defence ties, President Trump continues to impose tariffs on Bharat goods. While both leaders set an ambitious target of \$500 billion in trade

by 2030 and welcomed \$7.35 billion in Bharat investments in the U.S., trade tensions persist. The U.S. has committed to increasing military sales to Bharat, including the potential sale of F-35 stealth fighters, but such deals often take years to materialize. Prime Minister Modi emphasized the vision of "Make India Great Again" (MIGA), mirroring Trump's "MAGA" slogan, to highlight the transformative potential of U.S.-Bharat cooperation. However, the imposition of tariffs by the U.S. underscores the complexities in achieving seamless trade relations, despite diplomatic efforts to foster economic and strategic collaboration.

The entry of Tesla and Starlink into Bharat presents challenges, particularly for local manufacturing industries. Tesla's presence in the Bhartiya market could intensify competition for domestic EV manufacturers like Tata Motors, Mahindra, and Ola Electric, who may struggle against Tesla's advanced technology and brand appeal unless they receive government support and scale up innovation. Additionally, Tesla's demand for high-quality auto components might shift supply chains towards global suppliers, potentially sidelining smaller Bhartiya manufacturers. Similarly, Starlink's satellite internet services could disrupt Bharat's telecom market, especially in rural areas, where companies like BSNL, Jio,

Bharat - US Trade



Source -Neves, L. P. (2025)

and Airtel have been expanding their reach. A major concern is that heavy reliance on Tesla for EV technology and Starlink for internet infrastructure could slow down Bharat's goal of "Aatmanirbhar Bharat", increasing dependence on foreign technology. While both companies could create high-tech jobs, their entry might also displace existing jobs in traditional automobile and telecom industries.

The 2025 Trade Escalation

Recent developments in the ongoing trade war have already had significant impacts on global markets. In just two days, fears over the potential escalation of U.S. tariffs resulted in a dramatic \$180 billion loss in Bharat's stocks, highlighting investor concerns about the disruption of global trade and the growing uncertainty surrounding the global economy. In early February 2025, U.S. President Donald Trump announced a 10% tariff on all Chinese imports, aiming to address the ongoing trade imbalances and concerns over China's trade practices. In response, China retaliated by imposing tariffs ranging from 10% to 15% on U.S. goods, including coal, liquefied natural gas, crude oil, agricultural machinery, and large-engine vehicles. Bharat, once again, finds itself caught in the middle of this escalating conflict, facing new challenges in trade partnerships and the potential realignment of global supply chains. As these new tariff measures take hold, Bharat will have to navigate the uncertainties and disruptions to its trade and economic stability, as the global trade landscape continues to shift.

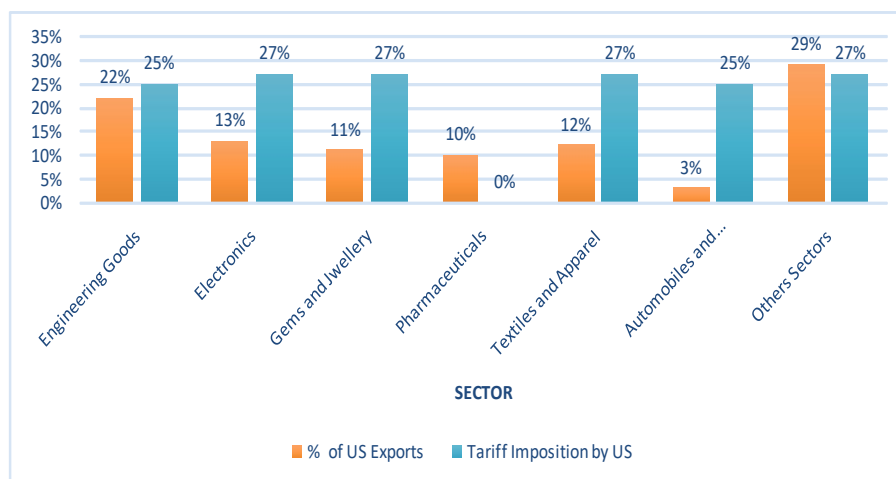
Resurgence of U.S.–China Trade Tensions

The trade tensions between the U.S. and China have resurfaced in 2025, reminiscent of the economic disputes between 2018 and 2020. Once again, the global economy is experiencing intensified tariff policies, supply chain disruptions, and trade partnership shifts. The trade war from 2018 to 2020, which saw tariffs imposed on over \$450 billion worth of trade, provides valuable insights into the current situation.

The conflict initially began in February 2018, when the U.S.

imposed tariffs on solar panels and washing machines, followed by additional duties on steel and aluminium in March. Although multiple countries were affected, China was the primary target. Over the next year and a half, the U.S. implemented five rounds of tariff hikes—in July, August, and September 2018, as well as June and September 2019. By January 2020, tariffs had been applied to nearly 15% of global trade as both nations retaliated against each other’s measures.

Bharat also faced significant repercussions. In March 2018, the U.S. imposed a 25% tariff on Bhartiya steel exports worth \$761 million and a 10% tariff on aluminium exports valued at \$382 million, impacting 2.3% of Bharat’s total exports to the U.S. in 2017. Bharat contested these tariffs at the WTO and planned to introduce \$1.4 billion in retaliatory tariffs. A major blow came in June 2019, when the U.S. revoked Bharat’s preferential trade status under the Generalized System of Preferences (GSP). This change led to higher tariffs on \$6 billion worth of Bharat’s exports, affecting key sectors like pharmaceuticals, textiles, and auto parts. By 2020, the trade war had significantly reshaped global trade dynamics, affecting 98.5% of Bharat’s exports, which encompassed nearly 5,104 product categories. This underscored the widespread impact of protectionist policies.



The latest round of trade tensions has already sent shockwaves through global markets. Within just two days, fears over potential U.S. tariff hikes erased \$180 billion from Bharat's stock markets, reflecting heightened investor concerns about trade uncertainties and economic instability. In February 2025, President Donald Trump introduced a 10% tariff on all Chinese imports, citing trade imbalances and concerns over China's practices. In retaliation, China levied tariffs ranging from 10% to 15% on American goods, including coal, liquefied natural gas, crude oil, agricultural machinery, and large-engine vehicles. As these developments unfold, Bharat once again finds itself navigating the complexities of changing trade relationships and supply chain disruptions.

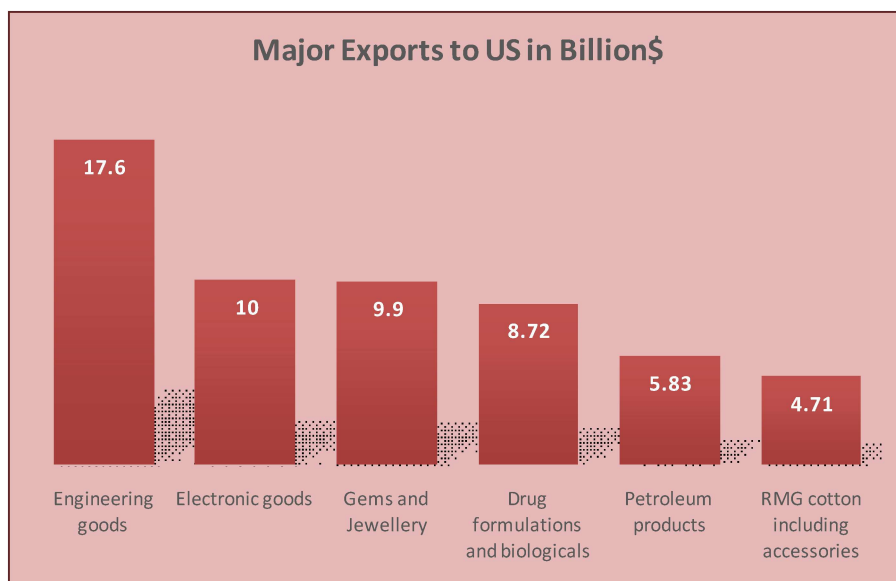
Trump tariffs and US-Bharat Trade deficit

As part of his economic policies, Trump announced a 25 percent tariff on all steel and aluminium imports, effective March 12, 2025. This move is expected to intensify global trade tensions and create challenges for steel exporters, including Bharat.

Nomura analysts highlight that Bharat's weighted average effective tariff on US exports is considerably higher than the US's tariff on Bharat's exports. Bharat high tariff rates, averaging 17 percent compared to the US's 3.3 percent tariff, expose it to potential retaliatory measures. Bharat's food products, vegetables, textiles, and clothing sectors could be most vulnerable to Trump's tariff measures, according to media reports. Other major Bharat's exports to the US include electrical machinery, gems and jewellery, pharmaceuticals, and autos, besides iron and steel. Tariffs, also referred to as customs duties, are taxes levied on imported goods. These duties are paid by importers to the government and are often passed on to consumers. For example, if a company imports a product worth US\$100 with a 10 percent tariff, the final cost rises to US\$110. Interestingly, on February 13, Bharat slashed its import tax (customs duty + additional levy) on bourbon imports from 150 percent to 100 percent; the US is the primary exporter of bourbon whiskey to Bharat. Countries impose reciprocal tariffs to counter trade barriers set by their partners. In 2018, when the US raised

tariffs on Bhartiya steel and aluminium, Bharat responded by increasing duties on 29 US products. The US faces a significant trade deficit, particularly with China and Bharat. In FY2023-24, its trade deficit with Bharat reached US\$35.31 billion; in 2024, the trade deficit was US\$45.6 billion. To address this, the Trump administration has justified tariffs as a measure to curb imports.

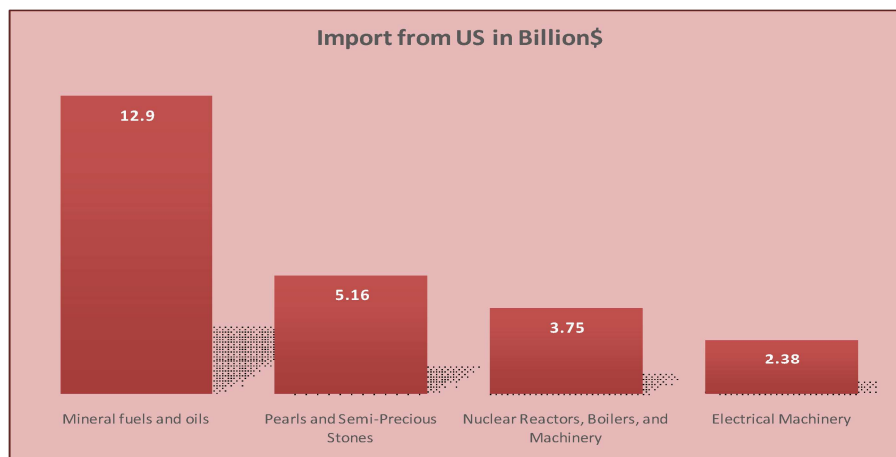
Major exported items from Bharat to the USA



(Source - The Share of U.S.-Bharat Trade to the U.S. Global Trade.)

During FY24, Bharat shipped 7,346 commodities to the United States, with exports totalling US\$ 77.5 billion. The key items exported were Engineering goods (US\$ 17.6 billion), Electronic goods (US\$ 10.0 billion), Gems and Jewellery (US\$ 9.90 billion), Drug formulations and biologicals (US\$ 8.72 billion), Petroleum products (US\$ 5.83 billion), and RMG cotton including accessories (US\$ 4.71 billion). In April-November 2024, Bharat’s exports to the US were US\$ 52.95 billion, with the major exports being Engineering goods (US\$ 12.33 billion), Electronic goods (US\$ 6.79 billion), Drugs and Pharmaceuticals (US\$ 6.34 billion), Gems and Jewellery (US\$ 6.28 billion), and RMG cotton including accessories (US\$ 3.32 billion).

Major imported items by Bharat from the USA



Source - The Share of U.S.-Bharat Trade to the U.S. Global Trade.

These numbers point towards increasing trade partnership between the US and , with engineering and electronics dominating the export sector.

Bharat imported 5,749 products from the United States in FY24, with imports increasing to US\$ 40.7 billion. The top imports were mineral fuels and oils (US\$ 12.9 billion), pearls and semi-precious stones (US\$ 5.16 billion), nuclear reactors, boilers, and machinery (US\$ 3.75 billion), and electrical machinery (US\$ 2.38 billion). In April-November 2024, Bharat's imports from the US totalled US\$ 29.63 billion, the major items being mineral fuels and oils (US\$ 9.98 billion), pearls and semi-precious stones (US\$ 3.21 billion), nuclear reactors and boilers (US\$ 2.81 billion), and electrical machinery and equipment (US\$ 2.02 billion). This indicates the robust trade relationship of Bharat with the US, particularly in the sectors of energy, machinery, and precious stones.

Bhartiya exports to the U.S. are expected to experience minimal impact despite anticipated higher tariffs, according to a State Bank of Bharat report. Even with tariffs up to 20%, the decline in exports is estimated at only 3-3.5%. Strategic export diversification, increased value addition, and improved trade routes are key measures Bharat is employing to counteract any potential negative effects.

Recent developments in the ongoing trade war have already had significant impacts on global markets. In just two days, fears over the potential escalation of U.S. tariffs resulted in a dramatic \$180 billion loss in Bharat's stocks, highlighting investor concerns about the disruption of global trade and the growing uncertainty surrounding the global economy. In early February 2025, U.S. President Donald Trump announced a 10% tariff on all Chinese imports, aiming to address the ongoing trade imbalances and concerns over China's trade practices. In response, China retaliated by imposing tariffs ranging from 10% to 15% on U.S. goods, including coal, liquefied natural gas, crude oil, agricultural machinery, and large-engine vehicles. Bharat, once again, finds itself caught in the middle of this escalating conflict, facing new challenges in trade partnerships and the potential realignment of global supply chains. As these new tariff measures take hold, Bharat will have to navigate the uncertainties and disruptions to its trade and economic stability, as the global trade landscape continues to shift.

Bharat–US trade dispute under the Trump administration

During his presidency, Donald Trump, with his “America First” approach, saw Bharat's trade practices as unfair, particularly because Bharat had a trade surplus with the US. To him, this made Bharat a competitor. On March 30, 2018, US Trade Representative Robert Lighthizer released the annual “National Trade Estimates” report, which criticized Bharat's “Make in Bharat” initiative, calling it discriminatory. The report also claimed that Bharat's tariffs and Goods and Services Tax (GST) made it harder for American products to enter the Bharat's market.

Trump was vocal in his criticism of Bharat's tariffs on American goods. His administration pushed for lower tariffs, the removal of price caps, and fewer trade barriers, especially in industries like poultry, dairy, medical devices, motorcycles, electronics, and IT. Frustrated, he repeatedly called Bharat the “tariff king,” pointing to the high import duties on Harley-Davidson motorcycles. Even after Bharat reduced the tariff from 100% to 50%, Trump remained unsatisfied and demanded it be removed altogether.

Beyond tariffs, the US raised concerns about weak patent protections and the piracy of music, films, and software in Bharat. In April 2019, Bharat was placed on a “priority watch list” for intellectual property concerns. The Trump administration also took issue with Bharat’s restrictions on foreign investment in banking, media, retail, and defense, arguing that these barriers needed to be lifted.

To pressure Bharat into what it saw as “fair trade practices,” the US imposed higher tariffs on 14% of Bharat’s exports starting in 2018. In March of that year, the Trump administration slapped 25% tariffs on Bharat’s steel and 10% on aluminium exports, citing national security reasons. In June 2019, the US withdrew Bharat’s trade benefits under the Generalized System of Preferences (GSP), affecting more than \$5.8 billion worth of Bharat’s exports.

Table - 1

Issue	The US	Bharat
IPR	<ol style="list-style-type: none"> 1. US concerns regarding weak patents and piracy of music, films and software, among others, under the ‘Special 301 report’. 2. In 2018, USTR urged Bharat to undertake intellectual property reforms and expressed dissatisfaction over the copyright regime and approaches that might not be able to deliver creativity growth and pro-innovation policies. 3. The US wanted Bharat to align its IPR laws with US IPR laws. 	<ol style="list-style-type: none"> 1. Bharat is among the eight countries listed on a priority watch list since 1989. 2. Bharat has argued that its IPR laws are by its obligations under the WTO.
Barriers on FDI	<ol style="list-style-type: none"> 1. Removal of FDI limits is one of the chief policy issues of the Trump administration. 	<ol style="list-style-type: none"> 1. Bharat has used the infant industry argument to justify FDI caps to protect Bharat’s businesses from unfair competition. 2. Still follows a protectionist policy but has increased the FDI cap in different sectors in recent years.
ITC products	<ol style="list-style-type: none"> 1. Bharat should reduce import duties from 20% on US exports of ITC products such as mobile phones (worth more than INR10,000), smart watches, select print circuit assemblies, radio receivers and equipment for telecom networks such as switches and routing machines. In September 2019, the US took the 	<ol style="list-style-type: none"> 1. Reduction of duties on ITC products detrimental to the ‘Make in Bharat’ initiative. 2. If import duties on US ITC products are reduced, duties on ITC products from China and South

	issue to the WTO dispute panel.	Korea also need to be reduced. Result in loss of US\$3.2 billion in customs revenue.
Services and H-1B visas	<ol style="list-style-type: none"> 1. Trump administration under its America first agenda of 'Buy American' and 'Hire American' promised to reduce the intake of temporary foreign workers and introduce a merit-based system and a numerical cap for H-1B visas to reduce immigration, legal and illegal. 2. In the aftermath of the COVID-19 pandemic, Trump discontinued the majority of the visa programmes for foreign workers 	<ol style="list-style-type: none"> 1. Bharat wanted the US to reform/open up its visa regime for service sector workers. 2. Bharat has objected against visa processing delays and increase in rejection rates by the Trump administration 3. Complained about the policy of issuing temporary visas for Bharat's nationals. 4. Seeks a 'totalisation agreement' aimed at coordinating social security protection for workers working in both countries.

Source -Verma, R. (2023).

Meanwhile, the Modi administration strongly opposed Trump's tightening of H-1B visa rules, which made it harder for Bharat professionals to work in the US. Under Trump's policies, Bharat protested the increased visa processing delays and rejection rates. Additionally, Bharat pushed for a "totalization agreement" to ensure social security benefits for Bharat workers in the US, but this remained a point of contention between the two countries.(Verma, R. (2023). Trump and Modi, and the ideological, political, and economic underpinnings of the Bharat United States trade dispute.

Worse Hit Trade War on WTO

One of the major casualties of the trade war initiated by the new U.S. administration in 2025 will be the multilateral trading system, specifically the World Trade Organization (WTO). The tariffs promised by Donald Trump violate WTO principles, not only by creating trade discrimination (such as between the EU and China) that contradicts the Most-Favored-Nation (MFN) rule under WTO Article 1, but also by imposing tariffs beyond the agreed-upon limits, breaching WTO Article 2, which outlines the tariff concessions of each member. The multilateral institution, already weakened, would see an increasing share of global trade operating outside multilateral guidelines. The response of U.S. trade partners, whether retaliation occurs within or outside the multi-

lateral framework, will be significant. A breakdown in tariff agreements worldwide would heighten the uncertainty surrounding the stability of international trade relations. Moreover, if U.S. partners file complaints about U.S. policies with the Dispute Settlement Body, it could overwhelm the system with trade disputes, likely resulting in more condemnations of the United States. The possibility of a complete U.S. exit from the multilateral trading system would increase, leaving the European Union even more isolated in its efforts to defend multilateralism. After taking over as President of the USA, Donald Trump launched a frontal attack on the global free trade system, created after World War 2, by announcing his intent to impose higher tariffs (on a reciprocal basis) on imports from many countries around the world. Since the 1990s, the belief has gained around that the policy of liberalization, globalisation, and privatisation is the only way forward for the world, especially developing countries. However, the scenario changed abruptly with the tariff war initiated by Donald Trump. Notably, it was the US and its allies who had pushed the world towards free trade, especially with the advent of the World Trade Organisation (WTO), introducing a rules-based global trading system. With the coming WTO, tariffs were gradually reduced, and non-tariff barriers also shrank in number and intensity. Apologists for free trade dominated the discourse on trade policy, counting on growing international trade in the post-WTO period, which, according to them, helped Donald Trump was the first to start undermining the WTO trading system. During his first term as US President, he blocked the nomination of judges to the WTO dispute settlement panels. This virtually paralysed the dispute settlement mechanism (DSM) in the WTO, which is critical to the rules-based trading system. Now, in his second term, Donald Trump is overturning the basic rule of the WTO by imposing tariffs unilaterally. In this context, it is notable that, within the WTO, the United States has a distinct right to impose country-specific tariffs.

Such a trade war requires a precise assessment, not only of its impact on world trade in general, but also on the Bharat's Economy at particular, on bilateral trade flows, on economic activity by sec-

tor, and also on macroeconomic indicators such as GDP, export, import, household incomes, and so on. By examining the macroeconomic consequences of trade wars, we gain insights that will shape our understanding of the impact on GDP, exports, imports, and so on. The following chapters will build upon the understanding of how the different sectors such as agriculture, manufacturing, jewellery, pharmaceutical etc might be impacted due to escalation of recent trade war (2025*) and ultimately leading to a deeper comprehension of how the economy of Bharat will be impacted via the trade war of 2025 in terms of macroeconomic indicators, sectors and how Bharat responded to it. The book has also incorporated some of the strategies that Bharat should follow to overcome the challenges of this trade war.



Bharat and the Trade War: Macroeconomic Consequences

The trade tensions resulted in changes to supply chains, fluctuations in financial markets, and alterations in investment trends. While certain sectors of the Bharat's economy saw gains from higher exports to the US, others struggled due to low global demand, inflation, and financial instability. The overall effect of the trade war on Bharat's GDP growth, trade balance, exchange rates, inflation, foreign direct investment (FDI), and employment was a combination of both favourable and unfavourable outcomes.

Trade War 2018- 2020: Recap

GDP Growth Rate

The trade war's most significant macroeconomic impact was the deceleration of Bharat's GDP growth. In 2017-18, Bharat's GDP expanded by 8.3%, but as global trade weakened during the conflict, demand for Bharat's exports slowed. This decline, coupled with domestic issues like the NBFC liquidity crisis, led to a drop in GDP growth to 4.2% in 2019-20. Uncertainty in global markets reduced private investment, while sluggish consumer demand in Bharat further hindered economic growth. The manufacturing sector, especially the automotive and metals industries, struggled with low industrial output and falling consumer confidence. Despite government measures to stimulate growth through tax cuts and liquidity support, the ongoing effects of the trade war continued to impede economic progress.



Source - Wright Research, Bloomberg

Trade Balance and Export Growth

The US-China trade war opened up opportunities for Bharat's exporters, particularly in sectors like IT services, pharmaceuticals, chemicals, and textiles. In its effort to reduce reliance on Chinese imports, the US boosted its purchases from Bharat. As a result, Bharat's exports to the US increased by 15.6% in 2019, with notable growth in chemicals and engineering products. The textile sector also experienced a modest rise in exports as US buyers sought alternative suppliers to replace Chinese manufacturers.

However, Bharat's total export growth declined by 1.8% in FY 2019-20 due to weaker global demand. At the same time, imports fell by 9.1%, driven by lower crude oil prices and reduced domestic demand for industrial raw materials.

Exchange Rate and Rupee Depreciation

The global uncertainty stemming from the trade war also impacted the Bharat's rupee, which weakened by 9.5%, dropping from ¹ 63.5 per US dollar in early 2018 to ¹ 69.6 by January 2020. This significant depreciation was driven by a mix of capital outflows, a strong US dollar, and increased global risk aversion.

Table - 2

Year	Export (\$ Billion)	Growth (%)	Import (\$ Billion)	Growth (%)	Trade Deficit (\$ Billion)
2017-18	303.5	+10%	465.6	+10.4%	-162.1
2018-19	330.1	+8.8%	514.1	+10.4%	-184
2019-20	324.6	-1.8%	467.2	-9.1%	-142.6

Source - Wright, Bloomberg

Although a weaker rupee made Bharat's exports more competitive, it also led to higher import costs, especially for crude oil and industrial raw materials. This put pressure on domestic businesses, as they faced rising prices for imported goods. Despite the Reserve Bank of Bharat's efforts to stabilize the currency through market interventions, the rupee remained volatile throughout the trade war period.

Inflation and Commodity Prices

The disruptions in global supply chains caused by the trade war led to increased inflationary pressures in Bharat. By the end of 2019, the Consumer Price Index (CPI) inflation had risen sharply to 7.6%, up from 3.6% in 2018. This significant increase in inflation was driven by:

- Higher food prices, particularly for vegetables and pulses, which saw a 20% rise in 2019 due to supply shortages.
- Increased costs for imported goods, as the depreciation of the rupee made imports more expensive.
- Oil price volatility, with Brent crude fluctuating between \$50 and \$75 per barrel, is affecting fuel prices in Bharat.

The inflation spike reduced consumer purchasing power, further contributing to the economic slowdown. In response, the RBI lowered interest rates multiple times in 2019 to stimulate demand, but inflation remained a persistent challenge throughout the period.



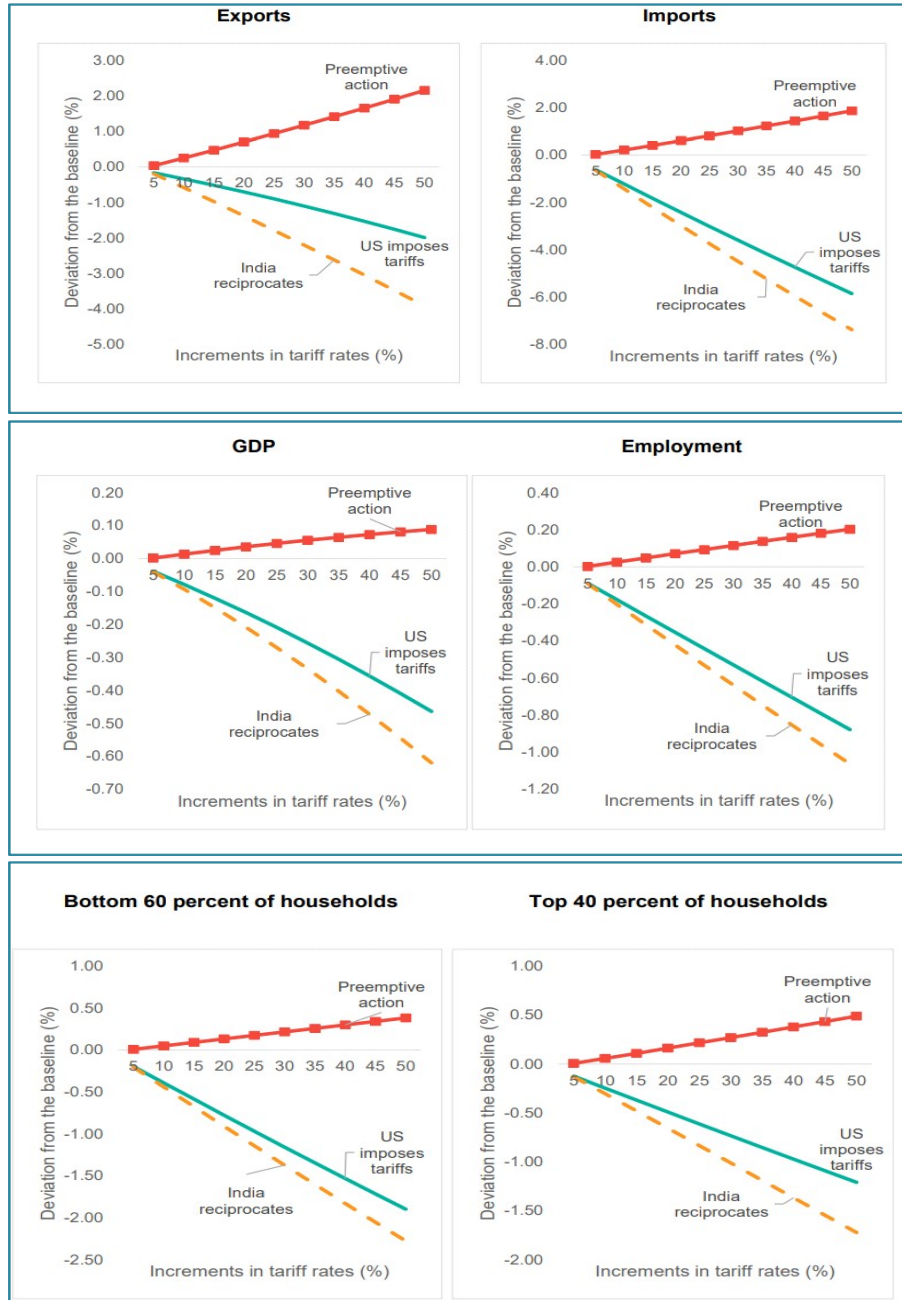
Source - Wright Research, Bloomberg

Trade War and Likely Macro Economic Consequences

In lieu of the ongoing **Trade war (2025)**, there are a few studies that have examined the impact on these indicators using different scenarios. Imposing tariffs generates inefficiencies in resource allocation due to changes in production and trade. These changes affect different sectors in varying ways, depending on their linkages with other sectors of the economy. Simulated results show that textiles and clothing, wholesale and retail trade, and construction are the most adversely affected sectors. When the United States imposes tariffs, increasing them by 50 percentage points, it results in a decline of 1.9 percent in textiles, 1.1 percent in wholesale trade, and 1.0 percent in construction on average, compared to the baseline, over the simulated period. If Bharat reciprocates with similar tariff hikes, these declines worsen to 2.4 percent, 1.3 percent, and 1.2 percent, respectively. On the other hand, the service sector sees the most growth in both cases, benefiting from a weaker rupee. However, despite gains in services, Bharat's overall GDP declines in both cases due to greater losses in the vulnerable sectors.

Bharat's GDP falls more when it retaliates against U.S. tariffs. If the United States hikes import tariffs by 50 percentage points, Bharat's GDP falls by 0.5 percent on average over the baseline. How-

US-Bharat Tariff War & Its Impact on Different Indicators



Source - Pal, B. D., & Ajmani, M. S. (2025).

ever, if Bharat responds with similar tariff increases, the decline in GDP worsens to 0.6 percent. The reduction in exports leads to lower domestic production and a reduced demand for primary factors, which results in higher unemployment and a fall in household income, all contributing to the GDP decline.

Employment and household income are more adversely affected when Bharat imposes retaliatory tariffs. If the United States alone increases tariffs, employment in Bharat falls between 0.1 and 0.9 percent on average, depending on the tariff rates imposed. However, if Bharat also imposes tariffs, the fall in employment is higher, ranging from 0.1 to 1.1 percent. This fall in employment leads to a decrease in household income. The bottom 60 percent of households, who are approximately 800 million beneficiaries of Bharat's National Food Security Act, experience an average income reduction of 1.9 percent if only the United States imposes tariffs. This reduction increases to 2.3 percent if Bharat also raises tariffs. Similarly, the top 40 percent of households, who consume more imported products, face a loss of income of 1.2 percent when the United States imposes tariffs, which worsens to 1.7 percent when Bharat retaliates. This indicates that Bharat's response with reciprocal tariffs leads to an additional 0.5 percentage point decline in income for high-income households and an additional 0.4 percentage point decline for lower-income households.

Both cases negatively impact household income and employment, and the trade protection measures implemented by the Bharat's government do not reverse this trend. While the reduction in imports due to tariffs helps narrow the trade deficit, it disrupts production, lowers employment, and decreases household incomes, ultimately leading to an overall decline in Bharat's GDP. The negative impact is more severe when Bharat retaliates with its own tariff measures.

Table - 3
Estimated effects of the Global Trade war on the Bharat's economy

Policy	Welfare change (US\$ billion)	Real GDP (% change)	Exports growth (% change)	Import growth (% change)	Investment (% change)	Terms of Trade (tot)
Trade war	7.5	0.06	-1.07	0.54	0.69	0.35

Source - Rahul Sen, Badri Narayanan

Table - 4
Description of tariff scenarios

Scenario	Definition	Assumptions/anticipated impacts
Scenario 1: United States imposes tariffs	United States imposes higher tariffs on imports from Bharat	Higher US tariffs—ranging from 5 to 50 percentage points over their baseline—make Bharat's products dearer in the US market, resulting in lower demand and revenue losses for Bharat's exporters.
Scenario 2: Bharat reciprocates	Same as scenario 1, plus Bharat reciprocates by imposing higher tariffs on imports from the United States	In addition to higher US tariffs, higher Bharat's tariffs—ranging from 5 to 50 percentage points over their baseline—are imposed on US imports. This offers some protection to Bharat's producers but raises the cost of imports for Bharat's consumers.
Scenario 3: Pre-emptive action	Bharat preemptively offers tariff concessions on imports from the United States to avoid a trade dispute	Bharat lowers import tariffs on US imports, ranging from 5 percent to 50 percent points (or zero-rating) below baseline Bharat's tariffs. This removes the protection enjoyed by Bharat's producers but reduces the cost of imports for Bharat's consumers.

Source - Pal, B. D., & Ajmani, M. S. (2025).

An eye opener

The impact of the US-China trade war on Bharat's economy has been multifaceted, with both positive and negative consequences across various macroeconomic indicators. While certain sectors, such as pharmaceuticals, IT services, and textiles, benefited from increased exports to the US, the overall slowdown in global trade led to declining GDP growth, exchange rate volatility, and inflationary pressures. The weakening of the Bharat's rupee made exports more competitive but simultaneously raised import costs, particularly for crude oil and industrial raw materials.

Bharat's trade balance improved due to reduced imports, but export growth was hindered by declining global demand. Additionally, foreign direct investment (FDI) flows were affected by uncertainties in the global economy. Employment and household incomes also faced setbacks, particularly in manufacturing sectors like textiles, construction, and wholesale trade. Simulation studies suggest that retaliatory tariff measures by Bharat could further exacerbate these economic challenges, leading to a more pronounced decline in GDP, employment, and household incomes.

Going forward, Bharat must adopt a balanced approach to trade policy, focusing on diversifying export markets, strengthening domestic manufacturing, and reducing dependency on foreign suppliers. Policymakers should prioritize structural reforms, infrastructure improvements, and incentives for industries that can enhance Bharat's global competitiveness. Additionally, strategic trade negotiations with major economies can help mitigate the adverse effects of future trade conflicts and create a more resilient economic framework for sustainable growth.



Trade War and Its Effect on Different Sectors

Trump's tariff-driven trade policies pose a significant challenge for Bharat. With a trade surplus exceeding \$46 billion with the U.S., Bharat is likely to face increased scrutiny and the possibility of retaliatory tariffs. This could be particularly detrimental to key export sectors such as pharmaceuticals, textiles, and machinery, which may encounter stricter entry barriers in the U.S. market. Throughout his election campaign, Trump frequently criticized Bharat's high tariffs, labelling the country as one of the "most protectionist" economies. As a result, the probability of reciprocal tariffs on Bharat's exports is high, potentially undermining Bharat's competitiveness in its largest export destination.

The situation is further complicated by the loss of Generalized System of Preferences (GSP) benefits during Trump's first term. Although Bharat's exports continued to grow after the GSP withdrawal, securing broader market access in the U.S. remains crucial. The Trump administration is expected to use Bharat's reli-



ance on the U.S. market as leverage to push for trade concessions, particularly in reducing tariffs on American exports such as energy products and agricultural goods.

The 2018 trade war between the U.S. and China had a profound impact on various sectors of the Bharat's economy. The **automobile industry** faced disruptions due to increased costs of imported components, leading to higher vehicle prices and supply chain challenges. The **electronics sector** experienced both gains and setbacks—while restrictions on Chinese goods allowed Bharat's manufacturers to capture a larger market share, the dependence on Chinese imports for key components raised production costs. The **pharmaceutical industry**, a major exporter to the U.S., benefited as global buyers sought alternatives to Chinese suppliers, but regulatory hurdles and price pressures persisted. The **textile sector** gained traction as the U.S. imposed tariffs on Chinese textiles, making Bharat's exports more attractive, yet higher input costs offset some of these advantages. The **agriculture sector** saw an opportunity as China diverted its soybean and agricultural imports away from the U.S., creating a demand shift that benefitted Bharat's farmers. Despite these sectoral variations, the overarching impact was economic uncertainty, fluctuating currency valuations, and a complex trade environment that required businesses to constantly adapt.

Now, as the 2025 trade war unfolds, Bharat faces a fresh set of challenges and opportunities across its industries...

Trade Sector

Donald Trump's return to the White House is set to have a profound impact on Bharat's trade sector, bringing both challenges and opportunities. His administration's focus on tariffs and prioritization of US economic interests over multilateral cooperation is likely to reshape Bharat-US trade dynamics.

A major concern for Bharat is Trump's tariff-driven trade policies. With a trade surplus exceeding \$46 billion with the US, Bharat could face increased scrutiny and possible retaliatory tariffs. Key export sectors such as pharmaceuticals, textiles, and machinery

may encounter higher entry barriers in the US market. Trump has previously criticized Bharat's high tariffs, labeling it one of the "most protectionist" countries, raising the likelihood of reciprocal tariffs that could erode Bharat's competitive edge in its largest export destination.

The removal of Generalized System of Preferences (GSP) benefits during Trump's first term further complicates Bharat's trade position. While Bharat's exports grew post-GSP removal, continued access to the US market remains crucial. The Trump administration is expected to leverage this dependence to push for trade concessions, such as lower tariffs on US exports like energy products and agricultural goods.

Geopolitical factors add another layer of complexity. Trump's transactional approach and focus on domestic priorities could weaken the strategic Bharat-US partnership, particularly in countering China. While Trump has aggressively imposed tariffs on China, his isolationist tendencies may lead to reduced engagement on broader security concerns in the Indo-Pacific, potentially exposing Bharat to greater geopolitical risks.

However, Trump's trade war with China presents an opportunity for Bharat. As global manufacturers look to diversify supply chains away from China under the "China Plus One" strategy, Bharat stands to benefit. Investments from companies like Apple demonstrate Bharat's growing appeal. If Bharat continues to enhance its manufacturing ecosystem and infrastructure, it could position itself as a strong alternative for global supply chains.

Another potential advantage lies in negotiating a bilateral trade agreement with the US. While Trump's administration is expected to push for a deal that favors American interests, Bharat could benefit by securing preferential access for key exports like apparel, gems, and jewelry. Reducing tariff disparities through such an agreement could significantly boost Bharat's exports.

Trump's second term is likely to reshape global trade patterns, with major implications for Bharat. While the challenges are substantial, strategic maneuvering could allow Bharat to capi-

talize on shifting trade dynamics and strengthen its economic ties with the US.

Impact on Venezuelan Oil

In response to the recent U.S. imposition of a 25% tariff on countries importing Venezuelan crude oil, Bharat's refiners are compelled to seek alternative sources to meet their energy needs. Although Bharat's imports from Venezuela have traditionally been modest, there was an uptick following the easing of previous sanctions. The newly enforced tariffs, effective from April 2, 2025, add a significant cost to these imports, prompting Bharat's companies to reconsider their sourcing strategies. Industry analysts suggest that while the overall impact may be limited due to the relatively small volume of Venezuelan crude in Bharat's import portfolio, the discounted pricing of Venezuelan oil had previously offered economic advantages. Consequently, shifting to alternative suppliers may result in higher procurement costs and necessitate adjustments in refining processes to accommodate different crude qualities.

Technology Sector

Trump's return to the presidency is poised to bring transformative changes to Bharat's technology sector, affecting its IT industry, artificial intelligence (AI) ambitions, and broader tech innovation landscape.

AI and Innovation Ecosystem: A second Trump term is expected to prioritize strategic technologies like AI and Quantum Information Science (QIS) as part of an ongoing tech race with China. These fields are critical not just for national security but also for maintaining US technological dominance. However, Trump's potential rollback of Biden-era AI safety regulations could accelerate innovation while reducing oversight, making the tech landscape more competitive and unpredictable.

For Bharat, this presents both challenges and opportunities. Rising techno-nationalism in the US may restrict Bharat's firms' access to American innovation ecosystems and limit collaboration

opportunities with US tech giants. At the same time, Bharat's vast IT and AI talent pool positions it to become a global leader in these technologies. Strategic partnerships, such as the Reliance Jio-NVIDIA collaboration, highlight Bharat's potential to integrate into the global AI ecosystem.

IT Industry Under Pressure: Bharat's IT sector, which derives a significant share of its revenue from the US, could face renewed challenges. Trump's first term saw restrictive immigration policies, including tighter H-1B visa regulations, which disrupted the movement of skilled Bharat's professionals. A continuation of these policies is likely, posing operational hurdles for Bharat's IT giants like Infosys and TCS, which heavily depend on the US market.

In response to past restrictions, Bharat's IT firms ramped up hiring in the US—Infosys, for example, employs over 25,000 American workers. While this adaptation helped mitigate immediate risks, it also increased operational costs. Under Trump 2.0, heightened regulatory scrutiny and economic uncertainties in key sectors like healthcare and retail—major revenue sources for Bharat's IT companies—could add further financial strain.

Defence Sector

During Trump's first term, Bharat-US defense relations strengthened through increased arms sales, joint military exercises, and strategic cooperation, particularly in countering China through the Quad alliance. A second Trump administration is expected to continue this trajectory.

Arms Trade and Technology Transfers: The US has become a key supplier of advanced defence equipment to Bharat, including MH-60R Seahawk helicopters and C-17 Globemaster aircraft. Trump's push for increased defence exports aligns with Bharat's military modernization goals. However, a more protectionist stance could lead to stricter technology transfer conditions or higher costs for defence acquisitions, posing challenges for Bharat.

Strategic Alliances and Regional Security: The Indo-Pacific strategy remains central to Bharat-US defence cooperation.

Trump's focus on countering China could deepen security engagements within the Quad framework, involving Japan and Australia. However, his transactional diplomatic style might put pressure on Bharat's strategic autonomy, potentially compelling Bharat to take a more explicit stance on US-led security policies.

Climate Policy

Trump's approach to climate change has been marked by scepticism. His withdrawal from the Paris Agreement during his first term signalled a retreat from global climate commitments, and a second term could further weaken international climate initiatives, impacting Bharat's sustainability goals.

Rollback of US Climate Commitments: The US plays a crucial role in global climate financing and technology transfers. Under Trump, a reduction in US commitment to multilateral climate efforts could limit funding and technical support for Bharat's renewable energy projects. This could slow Bharat's goal of reaching 500 GW of renewable energy capacity by 2030.

Increased Fossil Fuel Promotion: Trump's emphasis on reviving the US fossil fuel industry could shift global energy markets, making renewable energy less competitive. This could challenge Bharat's clean energy transition and affect global momentum toward decarbonization.

Potential for Bilateral Tensions: Trump's climate stance may also impact Bharat's access to advanced clean energy technologies. Additionally, his administration's regulatory rollbacks could encourage other nations to deprioritize climate action, undermining Bharat's leadership in global sustainability efforts.

Agriculture: Shrimp, dairy exports face the heat

The hardest-hit segment in agriculture is expected to be seafood, particularly shrimp, which already faces antidumping and countervailing duties in the US.

“Already our exports have antidumping and countervailing duties in the US. The additional hike in tariffs will make us

uncompetitive. Out of Bharat's total shrimp exports, we ship 40 per cent to America. Processed food, sugar, and cocoa exports, valued at \$1.03 billion, may also struggle under a 24.99% tariff gap, while dairy products, including ghee, butter, and milk powder, could be "severely" impacted by a 38.23% tariff differential.

Automobile Sector: Navigating a 23% Tariff Gap

The automobile industry has been significantly affected by past trade wars, with global supply chains facing disruptions and production costs soaring. Many automakers, heavily reliant on Chinese suppliers for key components, were forced to find alternatives—often at higher prices. As trade policies shift in 2025, fresh tariffs on Chinese automotive components present both challenges and opportunities for Bharat.

On the upside, global automakers seeking alternative suppliers may turn to Bharat, boosting the country's automotive component industry and strengthening its role in global supply chains. This could drive export growth and position Bharat as a more competitive player in the market. However, domestic manufacturers dependent on Chinese imports could face higher input costs, potentially leading to increased vehicle prices and reduced competitiveness.

A particularly pressing issue is the staggering 23.1% tariff differential in the automobile and auto components sector. This gap could make Bharat's automobile exports—cars, motorcycles, and spare parts—substantially more expensive for US consumers, posing a serious challenge to the industry. While Bharat's exporters may gain from shifting global supply chains, local manufacturers must adapt to rising costs and supply chain disruptions to stay competitive.

Jewellery: Diamonds and gold to get expensive

The United States has recently imposed a 26% tariff on Bharat's imports, significantly affecting Bharat's gems and jewellery sector, which exports approximately \$10 billion annually to the U.S. This move is part of President Donald Trump's broader strategy to

address trade imbalances by implementing reciprocal tariffs on countries with higher duties on U.S. goods.

Bharat's gems and jewellery industry, contributing over \$32 billion in exports, relies heavily on the U.S. market, which accounts for nearly 30% of its exports. The newly imposed tariffs are expected to make Bharat's jewellery more expensive for U.S. consumers, potentially reducing its competitiveness and leading to a sharp decline in exports.

Industry leaders have expressed concerns over the severity of the tariff's impact. Colin Shah of Kama Jewelry highlighted that the increased costs could significantly affect demand for diamonds, gold jewellery, and coloured gemstones. The Gems & Jewellery Export Promotion Council (GJEPC) estimates that about 50% of Bharat's gems and jewellery exports could be wiped out, potentially leading to job losses for approximately 150,000 workers.

In response, the GJEPC has approached the Bharat's government, advocating for a reduction in certain tariffs on U.S. goods to mitigate the impact of reciprocal tariffs. They propose lowering the 5% tariff on precious and semi-precious stones to 2.5% and reducing gold jewellery tariffs from 20% to 12%. These measures aim to ease tensions and potentially lead to more favourable trade terms.

The implementation of these tariffs underscores the complexities of international trade relations and highlights the need for strategic negotiations to protect vital export sectors and associated employment.

Electronics: Bharat's gadgets to become pricier

The recent imposition of a 26% tariff by the United States on Bharat's imports is poised to significantly impact Bharat's electronics and telecommunications sector, which exported approximately \$14 billion worth of goods to the U.S. in 2024. This sector encompasses key products such as mobile phones, laptops, and other electronic devices.

Tariff Disparity and Its Implications

Historically, Bharat's electronics exports to the U.S. faced an average tariff of 0.41%, while U.S. electronics exports to Bharat encountered a duty of 7.64%, resulting in a tariff gap of 7.23%. The introduction of the 26% tariff by the U.S. exacerbates this disparity, potentially rendering Bharat's electronic products less competitive in the U.S. market due to increased prices for consumers.

Potential Consequences for the Electronics Sector

The elevated tariffs could lead to several adverse outcomes for Bharat's electronics industry:

Reduced Export Competitiveness: Higher tariffs may make Bharat's electronics more expensive, leading U.S. buyers to seek alternatives from countries with more favourable trade terms.

Investment Diversion: Global electronics manufacturers might consider relocating production to countries like Vietnam, which benefit from lower tariffs and have established trade agreements with the U.S., thereby ensuring tariff certainty.

Supply Chain Disruptions: The industry could experience interruptions as companies adjust to the new tariff landscape, potentially affecting production timelines and delivery schedules.

The imposition of the 26% tariff by the U.S. presents significant challenges for Bharat's electronics and telecom sector. However, through strategic policy measures, proactive industry responses, and ongoing international negotiations, Bharat can work towards mitigating these impacts and sustaining the growth trajectory of this vital sector.

Pharmaceutical Industry

Bharat's pharmaceutical industry, a significant exporter of generic medicines and specialty drugs to the United States, was initially concerned about potential tariff increases that could impact its competitiveness in the U.S. market. However, recent developments indicate that these fears may not materialize.



Tariff Developments and Exemptions: On April 2, 2025, President Donald Trump announced a series of tariffs targeting various countries and sectors. Notably, while a 26% tariff was imposed on Bharat's imports, the pharmaceutical sector was exempted from these duties. This exemption means that Bharat's pharmaceutical exports to the U.S. will not face the anticipated tariff increases, allowing them to maintain their pricing and competitiveness in the American market.

Implications for Bharat's Drugmakers: The exemption is particularly significant for Bharat's drug manufacturers, as the U.S. accounts for a substantial portion of their export revenue. With the tariff exemption, Bharat's pharmaceutical companies can continue to supply affordable generic medications to the U.S. without the added cost burden that tariffs would have imposed. This development is likely to benefit both the manufacturers and American consumers who rely on cost-effective medications.

The trade war initiated by the Trump administration brought significant disruptions to global supply chains, affecting economies across the world, including Bharat. As the U.S. imposed higher tariffs on Chinese goods and China retaliated, Bharat experienced both obstacles and opportunities within its supply chain framework. Industries dependent on raw materials, intermediate goods, and export markets faced challenges related to rising production costs, shifts in trade balances, and competitiveness in global markets.

□□□□

US-China Trade War: Bharat's Likely Response

As escalating U.S. tariff wars reshape global trade patterns, Bharat has a unique opportunity to position itself as a leading manufacturing hub. With vast land resources, a large and skilled workforce, improved infrastructure, and supportive government policies, Bharat is well-equipped to attract global manufacturers seeking alternatives to traditional supply chains. Over the past decade, Bharat has undergone a remarkable transformation, emerging as the world's fifth-largest economy, the most populous nation, and home to the second-largest road network. As the U.S. trade conflicts with major partners such as China, Mexico, and Canada intensify, Bharat has a strategic window to establish itself as the next major manufacturing powerhouse on the global stage. Bharat is a large country by sheer size with abundant availability of land to set up manufacturing plants. It has the highest population in the world, a very large young population that is entering work force, making the cost of labour low as compared to most of the major countries.

Bharat has responded to the previous trade war 2018-2020 by boosting domestic manufacturing. And for making the manufacturing sector as a part of import substitution, the government is pushing its narrative of "Make in Bharat" strategy.

Make in Bharat: A Strategic Response to Trade War and a Push for Swadeshi

The Make in Bharat initiative, launched in 2014, serves as a powerful policy response to global trade disruptions, including escalating tariff wars with the U.S. As protectionist policies reshape international trade, Bharat can leverage this initiative to

reduce dependence on imported goods, particularly from the U.S., and strengthen domestic manufacturing. By promoting indigenous production, Make in Bharat aligns with the Swadeshi movement, encouraging the consumption of locally made products while reducing reliance on imports.

Through incentives such as production-linked incentives (PLI), tax benefits, and infrastructure development, the policy fosters an ecosystem that attracts both domestic and international investors to manufacture within Bharat. This, in turn, boosts employment, enhances self-reliance, and mitigates the impact of external trade conflicts. Additionally, sectors like electronics, pharmaceuticals, defence, and textiles-where Bharat has high import dependency-can significantly benefit from increased local production, reducing vulnerabilities to trade restrictions.

As the U.S. imposes tariffs on various imports and renegotiates trade agreements, Bharat's focus on Make in Bharat can serve as a countermeasure, strengthening its economic sovereignty. By encouraging consumers to choose Bharat's-made goods over imported alternatives, the initiative not only insulates the economy from global trade shocks but also revitalizes domestic industries, making Bharat a more resilient global manufacturing powerhouse. Initiatives like 'Make in Bharat' aim to reduce import dependency and strengthen local production, particularly in electronics, semiconductors, and automobiles. The 2025 Budget has

Table - 5
Estimated effects of Make in Bharat policies on the Bharat's economy

Policies	Welfare change (US \$ million)	Real GDP (% change)	Exports growth (% change)	Import growth (% change)	Investment (% change)	Trade Balance (US\$ million)
Protectionism (reactive)	-15235.2	-0.75	-2.73	-3.63	-1.92	0.71
Investment (proactive)	19451.27	1	1.24	0.75	0.88	-0.29
Overall	4216.18	0.25	-1.49	-2.88	-1.03	0.42

Source - Rahul Sen, Badri Narayanan

streamlined tariff structures to improve the competitiveness of Bharat's exports.

Moreover, Bharat has launched a “Production linked Incentive” or “PLI” scheme in the last few years to incentivise factories to increase manufacturing and become more competitive in the export market. In the latest budget 2025, Bharat’s finance minister laid out initiatives to increase funding to the medium and small industries, along with a boost in spending for infrastructure, beneficial to boost overall exports and improve Bharat’s terms of trade.

Strengthening Logistics: A Boost for Swadeshi Amid the U.S. Trade War

As the U.S. trade war disrupts global markets, Bharat is turning inward to strengthen its economic foundation through improved logistics infrastructure, reinforcing the Swadeshi movement. By enhancing domestic supply chains and reducing dependence on imports, Bharat is ensuring that homegrown industries can thrive despite external trade pressures.

With the second-largest road network in the world behind only the U.S. Bharat has made remarkable progress in transportation infrastructure over the past decade. To further support domestic manufacturing and trade, the government has introduced a National Logistics Policy, focused on modernizing ports, railways, and supply chains. A crucial goal of this initiative is to lower logistics costs, which currently range between 14-18% of GDP, bringing them closer to the global average of 8%. This reduction will make Bharat’s-made products more affordable and competitive, strengthening the case for Swadeshi by enabling businesses to source and distribute goods efficiently within the country.

By investing in logistics and reducing reliance on expensive imports, Bharat is taking a proactive stance in response to trade uncertainties. This shift not only empowers Bharat’s manufacturers but also encourages consumers to embrace indigenous products over foreign alternatives, reinforcing economic self-reliance and national resilience.

Strengthening Regional Trade Alliances: Bharat's Strategic Response to the U.S. Trade War

In response to the uncertainties created by the U.S. trade war, Bharat is actively working to diversify its trade partnerships and reduce dependence on Western markets. Strengthening regional trade alliances has become a key strategy to ensure economic resilience and expand export opportunities. By engaging with agreements like the Regional Comprehensive Economic Partnership (RCEP), Bharat could gain broader access to the vast Asian market, tapping into a network of economies that collectively account for a significant share of global trade.



Source - Katti, V., & Arora, K. (2020).

Beyond Asia, Bharat is also focusing on expanding trade with African nations and Latin America, recognizing these regions as emerging economic hubs with growing demand for Bharat's goods. Strengthening trade ties with these markets can provide Bharat's exporters with alternative destinations, reducing reliance on the U.S. and insulating the economy from global trade disruptions. By fostering closer economic cooperation within the Global South,

Bharat is not only securing its trade future but also reinforcing its position as a key player in the evolving world economic order.

Boosting Bharat's Trade Efficiency

The BTN system will eliminate bureaucratic hurdles and simplify trade processes by digitizing and centralizing all documentation. By integrating customs, port authorities, and regulatory agencies into a single platform, BTN will expedite export clearances, reduce costs, and enhance Bharat's ease of doing business. This modernization ensures that Bharat's exporters can deliver products faster and more competitively, giving them an edge over global rivals.

Strengthening Bharat's Export Capabilities

With the U.S. targeting various trading partners through tariff hikes and protectionist policies, global businesses are looking for reliable and efficient supply chain alternatives. Bharat's robust trade infrastructure, powered by BTN, will position the country as an ideal export hub, enabling Bharat's manufacturers to seize market opportunities left by disrupted supply chains. This system is expected to reduce export processing times by up to 40%, making Bharat's goods more attractive in international markets.

Empowering Swadeshi Trade and Manufacturing

BTN aligns perfectly with Bharat's "Aatmanirbhar Bharat" (Self-Reliant Bharat) initiative, as it fosters greater reliance on indigenous production and trade networks. By making Bharat's export processes faster, smoother, and more cost-effective, BTN will strengthen domestic industries and reduce dependence on imports, particularly from countries affected by U.S. trade restrictions. This will boost Bharat's manufacturing, encourage local job creation, and promote Swadeshi products in global markets.

Turning Challenges in to Opportunities

While the U.S. trade war poses challenges for global economies, Bharat is using this situation to its advantage. By moderniz-

ing its trade infrastructure through BTN, Bharat is not just mitigating risks but actively strengthening its global trade presence. This initiative cements Bharat's reputation as a reliable trading partner, ensuring that Bharat's exports remain competitive and continue to expand across new markets.

With Bharat Trade Net (BTN), Bharat is taking control of its trade future, reinforcing its position as a global economic powerhouse and ensuring long-term growth and prosperity for Bharat's industries and exporters.



Conclusion and Way Forward

Bharat and the United States have a strong trade partnership, with Bharat enjoying a trade surplus with the US. This means that any change in US tariff policies can have a major impact on Bharat's economy. This analysis examines the effects of tariff policies using an economic model.

Bharat's Economic Vulnerability Amid Rising US Tariffs

An increase in US tariffs on Bharat's imports will negatively affect Bharat's exports, GDP, employment, and household income. Since 11% of Bharat's total trade is with the US, Bharat is more vulnerable to these changes compared to the US, where trade with Bharat accounts for only 2.5% of its total trade.

The US-China trade war (2018-2020) had significant macro-economic effects on Bharat, influencing GDP growth, trade balance, exchange rates, inflation, and employment. While some Bharat's industries benefited from increased exports to the US, others suffered due to weakened global demand, financial instability, and inflationary pressures.

Bharat's GDP growth rate slowed from 8.3% in 2017-18 to 4.2% in 2019-20 as global trade uncertainties reduced private investment and weakened consumer confidence. The manufacturing sector, particularly automotive and metals industries, was severely affected despite government efforts to stimulate growth.

The trade war created opportunities for Bharat's exporters in IT services, pharmaceuticals, chemicals, and textiles as the US sought alternatives to Chinese imports. However, overall export growth declined by 1.8% in FY 2019-20 due to weak global demand. Imports also fell by 9.1%, largely due to lower crude oil prices and reduced industrial activity.

The Bharat's rupee depreciated by 9.5% against the US dollar between 2018 and 2020 due to capital outflows and global uncertainties. While this made Bharat's exports more competitive, it also increased import costs, particularly for crude oil and industrial raw materials, putting pressure on businesses.

Inflation rose sharply from 3.6% in 2018 to 7.6% by the end of 2019 due to supply chain disruptions, rising food prices, and oil price volatility. The Reserve Bank of Bharat (RBI) responded by cutting interest rates to boost demand, but inflation remained a persistent challenge.

Looking ahead to the ongoing trade war in 2025, studies suggest that further tariff hikes could negatively impact key Bharat's sectors such as textiles, construction, and retail trade. If the US imposes tariffs, Bharat's GDP could decline by 0.5%, and employment could fall by up to 0.9%. If Bharat retaliates, the negative impact would worsen, leading to greater GDP decline, reduced household incomes, and increased unemployment.

Bharat's Strategic Response and Future Trade Policy Directions

Bharat's response to future trade conflicts should focus on export diversification, strengthening domestic manufacturing, and reducing reliance on foreign suppliers. Policymakers must implement structural reforms, improve infrastructure, and engage in strategic trade negotiations to safeguard Bharat's economic stability and long-term growth.

The 2025 trade war under Trump's second term presents challenges for Bharat, particularly due to its \$46 billion trade surplus with the U.S., which may lead to retaliatory tariffs on key exports like pharmaceuticals, textiles, and machinery. Unlike 2018, when Bharat benefited from the U.S.-China dispute, the current scenario brings widespread tariff hikes. The loss of GSP benefits and Trump's push for lower Bharat's tariffs on U.S. goods add further pressure. The IT sector faces renewed visa restrictions, increasing operational costs, while energy refiners struggle with a 25% tariff on Venezu-

elan crude oil. The automobile industry and electronics sector also suffer due to higher input costs, while the gems and jewelry sector risks a \$10 billion export hit from steep tariffs. However, pharmaceuticals remain exempt, allowing Bharat's drugmakers to sustain exports. Geopolitical uncertainty and weakened Indo-Pacific ties complicate trade relations, while Trump's climate stance may slow Bharat's renewable energy progress. Unlike 2018, Bharat must now navigate a more protectionist global trade environment, requiring strategic economic adjustments.

The U.S.-China trade war presents Bharat with an opportunity to emerge as a global manufacturing hub. With abundant land, a skilled workforce, and improved infrastructure, Bharat can attract global manufacturers seeking alternatives to traditional supply chains. The Make in Bharat initiative, launched in 2014, aims to reduce import dependency and boost domestic production through incentives like the Production Linked Incentive (PLI) scheme, tax benefits, and infrastructure development. The 2025 Budget furthers this goal by streamlining tariff structures and increasing support for small industries.

Bharat is also strengthening logistics to enhance competitiveness, modernizing ports, railways, and supply chains under the National Logistics Policy to reduce costs. By cutting logistics expenses from 14-18% of GDP to a global average of 8%, Bharat aims to make its products more affordable and competitive. Meanwhile, to mitigate the risks of U.S. trade policies, Bharat is expanding trade alliances through Free Trade Agreements (FTAs) with the EU, UK, Australia, and Canada, securing preferential market access to diversify exports.

To enhance trade efficiency, Bharat has introduced Bharat Trade Net (BTN), a single-window digital trade documentation system that simplifies processes, reduces costs, and improves export competitiveness. This aligns with the Aatmanirbhar Bharat initiative, fostering self-reliance and reducing import dependence. By leveraging these strategies, Bharat is transforming global trade challenges into an opportunity for economic growth and industrial resilience.

If Bharat responds by increasing tariffs on US imports, the negative effects will worsen. Higher tariffs will make imports more expensive, weaken the Bharat's currency, and increase production costs. In the long run, this can reduce investments, slow down job creation, and lower income growth, making a trade conflict with the US economically unwise.

If Bharat proactively reduces tariffs for US imports, it could avoid economic losses. Lower tariffs would slightly boost exports, GDP, employment, and income. However, while trade liberalization benefits the economy as a whole, certain domestic industries might face challenges due to increased competition.

Way Forward

Talent Linked Incentive (Bharat Gyan Udaan): Repatriating Bharatn talent from the World

In response to the ongoing trade war of 2025 and the shifting global economic dynamics, Bharat can strategically harness the talent of highly skilled diaspora, particularly in the United States, to fuel its growth and innovation. Prime Minister Modi's government can launch an initiative called "Talent Linked Incentive "(knowledge of Bharat), aimed at incentivizing Bharatn professionals, scientists, engineers, and entrepreneurs to return home. This program would offer significant financial and tax incentives, such as tax breaks for the first five years, relocation allowances, and subsidized housing. Additionally, professionals returning to Bharat would have access to research and innovation grants to establish R&D hubs in key cities like Bengaluru and Hyderabad, such as AI, biotechnology, and renewable energy. The initiative would also introduce a "Global Skills Recognition Board,"ensuring a smooth transition for returning professionals by recognizing their international qualifications and work experience. Furthermore, the Talent Linked Incentive program would provide business grants and equity-free funding to entrepreneurs wishing to set up start-ups in Bharat, cre-

ating a vibrant ecosystem for innovation and job creation.

With over 4.5 million people of Bharatn Origin in the US, many of whom are leaders in STEM fields, attracting even a small percentage of them back to Bharat could significantly boost the country's technological and entrepreneurial sectors. The economic impact of this initiative could be substantial, contributing to Bharat's GDP growth, which is projected to reach 7-8% annually by 2030, while also helping Bharat to maintain a competitive edge in the global market. By leveraging its diaspora talent, Bharat can transform the challenges posed by the trade war into a significant opportunity for innovation, growth and global leadership.

Bharat's Strategic Strengths: A Strong Response to Tariffs Initiated by Trump

As the United States, under President Trump, continues to pursue a protectionist trade policy through increased tariffs, Bharat possesses several key internal strengths that enable it to effectively withstand and respond to these external economic pressures.

Growing Purchasing Power of the Middle Class: Bharat has one of the world's largest and fastest-growing middle-class populations (583 million around). This segment, with increasing disposable income and rising aspirations, drives strong domestic consumption across sectors such as consumer goods, electronics, automobiles, and services. This robust internal demand provides a cushion against trade shocks and reduces over-dependence on exports.

Swadeshi Mindset of the Lower Middle-Income Population: Among Bharat's lower middle-income groups, there is a strong sense of nationalism and preference for locally made products, known as the Swadeshi mindset. This cultural and emotional inclination towards domestic goods supports indigenous industries and reinforces economic self-reliance. Even during global trade disruptions, this population segment actively supports local markets and producers.

Pharmaceutical Sector: Global Dependence and Strategic Leverage: Bharat's low-cost, high-quality pharmaceutical industry is a cornerstone of global healthcare. Supplying over 40% of the

generics consumed in the United States and 25% of its total pharmaceutical imports, Bharat has emerged as an indispensable partner in the global medicine supply chain. Notably, in the 2025 round of U.S. tariffs, pharmaceutical products from Bharat have been excluded—a clear indicator of America's critical dependence. It not only drives exports but also strengthens Bharat's global reputation in healthcare.

Agro-Based Exports: The Power of Nutrition and Sustainability:

Bharat is a global leader in the export of millets, pulses, and sustainable grains, which are increasingly being recognized for their health benefits and environmental resilience. With the United Nations declaring 2023 as the International Year of Millets, Bharat has successfully positioned itself at the forefront of global food security initiatives. The United States' growing consumer demand for organic and nutritious food options aligns perfectly with Bharat's agro-export offerings. This emerging interdependence creates opportunities for Bharat to diversify its agro-export portfolio, while also enhancing its relevance in U.S. food supply chains. It positions Bharat as not just an exporter, but a solution provider in sustainable agriculture, giving it a strategic edge in trade dialogues.

Strategic Trade Bloc: A Collaborative Response to U.S. Tariffs

In response to the escalating U.S. tariff impositions in 2025, there emerges a compelling case for like-minded nations such as Bharat (Bharat), Germany, Japan, and key European Union members to explore the formation of a strategic trade bloc. These nations, increasingly aligned in their shared concerns over U.S. protectionism and a common anti-China sentiment, find themselves at a pivotal moment where collaboration is both a geopolitical necessity and an economic opportunity. A unified bloc could act as a counterbalance to the disproportionate influence of both the United States and China, enabling the formation of a more rules-based, equitable, and sustainable global trade order.

This proposed alliance would benefit from the complementary strengths of its members. Bharat contributes with its globally

recognized low-cost pharmaceutical sector and rising agro-based exports such as millets, grains, and pulses. Germany brings unmatched engineering expertise, while Japan offers cutting-edge technological innovation. The European Union, with its vast and integrated market, adds significant economic weight and regulatory sophistication. Together, these nations can develop robust trade corridors, mutual investment frameworks, and resilient supply chains, particularly in vital sectors such as healthcare, clean energy, precision manufacturing, semiconductors, and agriculture.

A Common Trade Currency: Reducing Dollar Dependency

One of the most forward-thinking responses to U.S. economic unilateralism would be the development of a common trade currency. This currency-potentially digital and backed by a basket of stable partner currencies like the Rupee, Euro, Yen, and Won-could be governed by a multilateral financial institution, possibly under a newly created consortium or through platforms like the New Development Bank. Designed specifically for cross-border trade settlements, this mechanism would help reduce overdependence on the U.S. dollar, shielding member nations from the volatility of U.S. monetary policy, sudden tariff shifts, and financial sanctions. Additionally, it would encourage deeper intra-bloc trade, enhanced financial sovereignty, and greater global monetary balance.

By embracing economic collaboration and monetary innovation, these countries have the opportunity not only to counter tariff pressures but also to lay the foundation for a more resilient and multipolar global trade ecosystem-where mutual benefit replaces unilateral imposition.

Bharat Leadership in the 2025 Trade War

Under PM Modi's leadership, Bharat has displayed remarkable adaptability and strategic foresight in response to the global economic challenges posed by the ongoing trade war under President Trump in 2025. Modi's leadership has been characterized by decisive, proactive approach, blending economic reform, diplo-

macy, and national self-reliance to safeguard Bharat's interests. When the U.S. escalated tariffs and trade tensions with key global players, including Bharat, Modi's Government quickly pivoted towards creating a self-reliant economy through initiatives like Atmanirbhar Bharat and Make in Bharat, focusing on reducing dependency on imports and boosting domestic manufacturing. His focus on innovation and technological growth through Digital Bharat further positioned Bharat to remain competitive in global markets despite external disruptions.

While other nations, such as the EU and Japan struggled to counter the isolationist tendencies of U.S., Modi's diplomatic skills ensured Bharat remained a key global player, forging new trade partnerships and strengthening ties with countries like Japan, Australia, and the UAE. Under his leadership, Bharat also advocated for a fair and rules-based trading system within global forums like and WTO, using its growing influence to push back against unfair trade practices. Bharat's GDP growth of 6.8% in 2025, despite of global uncertainties, highlights the success of Modi's leadership in shielding the Bhartiya economy from the worst effects of the trade war.

Towards a Win-Win Trade Framework

Despite the imposition of tariffs on various sectors in 2025, the United States' selective exclusion of Bharat's pharmaceutical products, combined with growing agro-import dependence, underscores a realistic interdependence between the two economies. Bharat's resilient domestic consumption, Swadeshi economic fabric, and globally critical sectors such as healthcare and agriculture give it the leverage to respond strategically-not defensively-to tariff actions.

These strengths provide a compelling case for a win-win trade framework, where both nations recognize the value of cooperation over conflict. Rather than being reactive, Bharat is now positioned to be proactive in shaping a more balanced, equitable, and strategic global trade order.



References

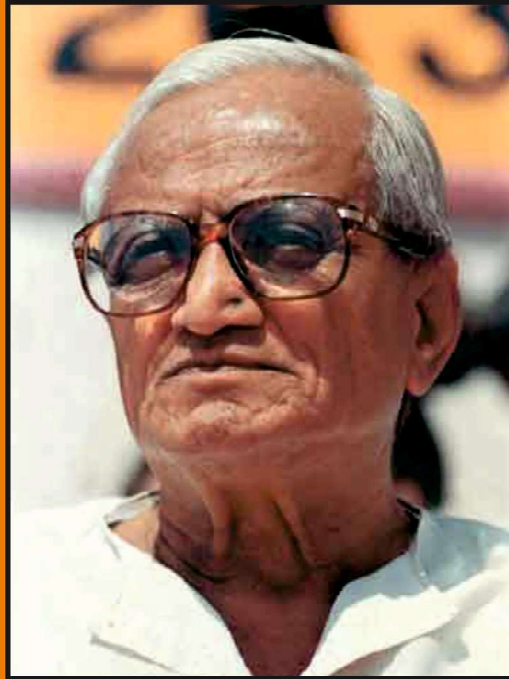
- Amiti, M., Redding, S. J., & Weinstein, D. E. (2020). Who's paying for the US tariffs? A longer-term perspective. *AEA Papers and Proceedings*, 110, 541–546.
- Antimiani, A., Costantini, V., Martini, C., Palma, A., & Tommasino, M. C. (2013). The GTAP-E: Model description and improvements. In *The dynamics of environmental and economic systems: Innovation, environmental policy and competitiveness* (pp. 3–24).
- Autor, D., Beck, A., Dorn, D., & Hanson, G. H. (2024). Help for the heartland? The employment and electoral effects of the Trump tariffs in the United States. *National Bureau of Economic Research*.
- Barnes, M. (2024, November 4). Explained: Implications of the latest Fed rate hike on the Vietnamese dong. *Vietnam Briefing*.
- Bercero, I. G., Mavroidis, P. C., & Sapir, A. (2024). How the European Union should respond to Trump's tariffs. *Bruegel*.
- Bouët, A. (1991). *Représailles et commerce international stratégique*. FeniXX.
- Bouët, A., Sall, L. M., & Zheng, Y. (2025). *Towards a trade war in 2025: Real threats for the world economy, false promises for the US* (No. 2025-03).
- Bureau of Economic Analysis. (2024, February 7). U.S. international trade in goods and services, December and annual 2023.
- Chadha, R., Pohit, S., & Pratap, D. (2021). The US–China trade war: Impact on Bharat and other Asian regions. *Journal of Asian Economic Integration*, 3(2), 144–168.
- Clausing, K. A., & Obstfeld, M. (2024). Letter from America: Trump's 2025 tariff threats. *Intereconomics*, 59(4), 243–244.
- Cyrill, M. (2024, November 20). Southeast Asia's balancing act in a second Trump presidency. *ASEAN Briefing*.
- Fajgelbaum, P. D., & Khandelwal, A. K. (2022). The economic impacts of the US–China trade war. *Annual Review of Economics*, 14(1), 205–228.

- Misra, R., & Choudhry, S. (2020). Trade war: Likely impact on Bharat. *Foreign Trade Review*, 55(1), 93–118.
- Nelson, D. (2024, December 20). Trump trade 2.0. *Center for Strategic & International Studies*.
- Ngoc Anh. (2024, November 22). How will Donald Trump 2.0’s tariff policy impact Vietnam?
- Nguyen, G. K. (2024). Can Vietnam thrive under Trump 2.0? *Fulcrum*, 2024/219.
- Pal, B. D., & Ajmani, M. S. (2025). US tariffs on the horizon: How will Bharat’s economy be affected? *International Food Policy Research Institute*.
- The White House. (2025, February 2). Fact sheet: President Donald J. Trump imposes tariffs on imports from Canada, Mexico, and China.
- Business Standard. (2025, April 2). US tariffs could shift trade, risking Bharat to steel imports: SAIL chairman.
- Economic Times. (2025, April 2). Midnight shocker: 5 Bharat’s sectors on edge as Trump to drop tariff bomb.
- Financial Express. (2025). Economy: US tariff on Venezuelan oil.
- Manufacturing Economic Times. (2025). Bharat: The next big manufacturing superpower.
- The Hindu. (2025). US Donald Trump liberation day tariffs: Sectors affected in Bharat.
- Times of Bharat. (2025). Trump’s tariff gamble: Economic revival or trade war risk?
- Verma, R. (2023). Trump and Modi and the ideological, political and economic underpinnings of the Bharat–United States trade dispute. *International Area Studies Review*, 26(4), 419-437.

□□□□



**When trade war roar,
Bharat wouldn't bow
The people rise with Swadeshi vow
Not by imports but by our own hand
We build Bharat future,
free and grand**



Dattopant Thengadi

(Founder, Swadeshi Jagran Manch)

Swadeshi Jagran Manch is an ideological movement and we do not insist that all those working for Swadeshi and against foreign capital should come under our umbrella. We understand that it is very difficult to oppose the nexus between foreign capital and foreign governments... We do not expect everyone to come and work under our umbrella.