The Indian EXPRESS
JOURNALISM OF COURAGE

Despite planned trade deal, why India can't rely on the Trump White House

US tariffs against Canada and Mexico fly in the face of an agreement the US President himself negotiated. The US 2025 Trade Policy says the WTO has lost its way. BTA or not, India cannot rest easy on trade with the US.

Written by Ravi Dutta Mishra
New Delhi | March 5, 2025 18:44 IST

6 min read

President Donald Trump delivers an address to a joint session of Congress at the Capitol in Washington, on Tuesday, March 4, 2025. (Doug Mills/The New York Times)

United States President Donald Trump on Tuesday announced reciprocal tariffs on trade partners regardless of the level of their economic development – a decision that could significantly impact developing countries such as India, which typically extend higher protection to domestic industry compared to the richer, developed world.

"…On 2 April, **reciprocal tariffs kick in**," Trump said during his Joint Address to Congress on Tuesday night.

"Friendly as well as unfriendly" countries had unfairly used tariffs against the US for decades, Trump said. He said the European Union, China, Brazil, India, Mexico, and Canada imposed significantly higher tariffs on the US on average than the US imposed on them.

"India charges us auto tariffs higher than 100 per cent. China's average tariffs on our products are twice what we charge them. And South Korea's average tariffs are four times higher. We give so much help militarily and otherwise to South Korea, but that's what happens. This is done by friend and foe…," Trump said.

Uncertainty for India

A bilateral trade agreement (BTA) between India and the US is in the works, and Indian officials hope to secure concessions on sweeping tariffs such as the 25% duty on steel and aluminium announced earlier and the upcoming reciprocal tariffs.

Commerce and Industry Minister Piyush Goyal is currently in the US to meet United States Trade Representative (USTR) Jamieson Greer, who has been given the task of implementing Trump's tariff plan.

Trade experts have noted that the 25% tariffs on Canada and Mexico, which went into effect on Tuesday (provoking retaliation from Canada) indicate the Trump administration's disregard for trade deals aligned with World Trade Organization (WTO) norms, and put a question mark over American adherence to any future trade agreement with India.

"The North American Free Trade Agreement (NAFTA), the trade deal between the US, Canada, and Mexico, had been in place since January 1994. However, Trump was dissatisfied with its terms and, during his first term, replaced it with the United States-Mexico-Canada Agreement (USMCA) in 2018-19. Trump's tariffs on Canada and Mexico violate USMCA and highlight his disregard for negotiated trade agreements," Ajay Srivastava, a former trade officer and head of the think tank Global Trade and Research Institute (GTRI) said.

Farm sector vulnerability

While several sectors could be hit by reciprocal tariffs, agriculture is the most vulnerable for India, given the wide tariff gap between the two countries. Agricultural trade is also sensitive, with farmers unions leading sustained protests demanding a legally guaranteed Minimum Support Price (MSP).

SECTORAL IMPACT OF RECIPROCAL TARIFFS

Sectors	US exports to India ($bn)	India's exports to US($bn)	Indian tariffs on US products (%)	US tariffs on Indian products (%)	Tariff differential (%)
Agriculture, meat & processed food	1.94	6.04	37.66	5.29	32.37
Automobiles	0.42	2.8	24.14	1.05	23.1
Diamond, gold products	1.92	11.88	15.45	2.12	13.32
Chemicals & pharma	3.52	18.44	9.68	1.06	8.63
Electrical, electronic products	1.34	14.4	7.64	0.41	7.24

Source: GTRI

A report by the Indian Council for Research on International Economic Relations (ICRIER) released last month says India imposes tariffs at a simple average rate of 17%, compared to 3.3% by the US. Trade-weighted tariffs highlight this difference further, standing at 12% for India and only 2.2% for the US.

"The most striking difference is in the agriculture sector, where India's tariffs are notably higher. The simple average tariff for agricultural goods in India is 39%, while the trade-weighted average is 65%, indicating strong protectionist policies. In comparison, the US maintains relatively low agricultural tariffs, with a simple average of 5% and a trade-weighted rate of 4%," the ICRIER report said.

Auto, pharma could be hit

The automobile and pharmaceutical sectors are also expected to be affected at a time when several countries are pushing for greater access to India's highly protected markets. Both industries are among India's most successful, with substantial value-addition and export strength, particularly to Europe and the US.

Also Read | **What does Navratna status for IRCTC and IRFC mean?**

The tariff differential in the automobile sector is 23.1%; for chemicals and pharmaceuticals, 8%. Pharma products accounted for 21.9% of the $20 billion of final consumer goods exported by India to the US in 2023.

"Sectors such as automobiles, pharmaceuticals, electronics, chemicals, and textiles face the highest tariff differentials, making them vulnerable to price increases in the US market," GTRI said in a report, 'Trump's Reciprocal Tariffs and India: Sectoral Impact, Neutralisation strategies', published last month.

"Industries should expand export markets beyond the US, focusing on regions where tariffs remain low, such as Europe, Southeast Asia, and Africa," the report said.

"Similarly, forming joint ventures with American firms or setting up assembly units in the US could help bypass tariffs."

A challenge to WTO

The US 2025 Trade Policy Agenda released on 3 March argues that the "viability and durability of the WTO is increasingly in question", and "in fundamental respects, the organization…has lost its way".

The document also criticises the concessions and carve-outs sought by developing countries such as India under the WTO's special and differential treatment (SDT) provisions.

"SDT status provides several benefits, including generous transition periods, higher tariff bindings, and the ability to use prohibited subsidies," the policy says. "…Countries can obtain SDT benefits by merely self-declaring as 'developing' — regardless of their per capita gross national income or their income classification according to the World Bank."

When the WTO was established 30 years ago, its purpose was to encourage participation in a world trading system based on open, market-oriented policies, the policy says.

However, "When China abandoned the market-oriented reform path on which its 2001 accession was premised and embraced state-led, non-market economic practices, the WTO was neither able nor willing to address China's economic system, which is fundamentally incompatible with the open, market-oriented direction…and is contrary to the original principles of the WTO and its agreements," the policy says.

Ravi Dutta Mishra Follow

Ravi Dutta Mishra is a Principal Correspondent with The Indian Express, covering policy issues related to trade, commerce, and banking. He has over five years of experience and has previously worked with Mint, CNBC-TV18, and other news outlets. ***... Read More***

This article went live on March fifth, twenty twenty-five, at forty-four minutes past six in the evening.