

Trump 2.0 and New Directions in India-US Economic Ties

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Summary

On 13 February 2025, Indian Prime Minister Narendra Modi held his first summit meeting with United States (US) President Donald Trump following the latter's return to the White House, marking the beginning of the Trump 2.0 era. The two leaders launched the Washington Strategic Dialogue and issued a joint statement. Against the backdrop of intensified strategic competition in the Indo-Pacific and shifts in the global economic and trade landscape, the dialogue primarily centred on three core economic agendas: trade tariffs, industrial collaboration, and supply chain restructuring.¹ Analysing these new developments and directions in India-US relations is of great significance for understanding their impact on the global economic order and the management of India-US relations.

Trade Implications of the 2025 Summit

Anchored in the shared aspirations of MAGA (Make America Great Again) and MIGA (Make India Great Again), the strategic alignment between the United States (US) and India stems from a fundamental convergence of national interests. As a crucial milestone in harmonising their economic agendas, the summit between Indian Prime Minister Narendra Modi and US President Donald Trump in February 2025 produced substantial achievements in trade and investment, which can be categorised into three key dimensions.

Expanding Trade and Investment

The US and India proposed the 'Mission 500' initiative, setting a goal to double bilateral trade to US\$500 billion (S\$667.8 billion) by 2030.² As of 2024, the total US-India trade is estimated to have reached US\$129.2 billion (S\$172.6 billion).³ This initiative establishes a clear target for economic cooperation, accelerating collaboration in trade and investment. Building on this foundation, both sides agreed to enhance the US' exports of industrial goods to India and Indian exports of labour-intensive manufactured products to the US. Modi emphasised the need to expedite negotiations on a bilateral trade agreement, with both countries aiming to conclude talks on the first phase of the bilateral trade agreement

¹ 'Remarks by President Trump and Prime Minister Narendra Modi of the Republic of India in Joint Press Conference', The White House, 13 February 2025, <https://www.whitehouse.gov/remarks/2025/02/remarks-by-president-trump-and-prime-minister-narendra-modi-of-the-republic-of-india-in-joint-press-conference/>.

² ET Bureau, 'India-US to seal first trade deal tranche by fall, aiming for \$500 billion target', *The Economic Times*, 15 February 2025, <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-us-to-seal-first-trade-deal-tranche-by-fall-aiming-for-500-billion-target/articleshow/118258381.cms?from=mdr>.

³ Office of the United States Trade Representative, Executive Office of the President, <https://ustr.gov/countries-regions/south-central-asia/india>.

and resolve longstanding trade disputes by the fall of 2025, thereby deepening bilateral trade in goods and services.⁴

Adjusting the Tariff Structure

The Joint Statement highlighted commitments to expanding market access, reducing tariff and non-tariff barriers and further integrating supply chains. Against the backdrop of a historically imbalanced and asymmetric trade structure – where India has been labelled by Trump as the “tariff king” and the bilateral trade deficit has approached US\$50 billion (US\$66.8 billion) – adjustments to tariff policies took centre stage.⁵ Additionally, India committed to increasing imports of US oil, natural gas and other high-value-added products.⁶ To further address trade imbalances, India also signed agreements to procure US-made fighter jet engines and armoured vehicles, leveraging defence deals as a strategic trade-off in tariff negotiations.

Strengthening Supply Chains’ Resilience and Collaboration in High-Technology Industries

The US and India announced the launch of the TRUST (Transforming Relations Using Strategic Technologies) Initiative, aimed at fostering collaboration among governments, academia and the private sector to advance applications of critical and emerging technologies in defence, artificial intelligence, semiconductors, quantum computing, biotechnology, energy and space. Under this initiative, both countries reached a consensus on deepening cooperation in key technological fields, pledging to create investment opportunities for both US and Indian companies in high-value industries within each other's markets.⁷ Notably, the summit placed significant emphasis on energy cooperation with the launch of a new Strategic Mineral Recycling plan. This initiative focuses on extracting and processing critical minerals such as lithium, cobalt and rare earth elements from heavy industries, including aluminium, coal mining and oil and gas production.⁸ Additionally, Modi met with SpaceX and Tesla’s founder Elon Musk (who is also serving as a special official of the Trump administration) to discuss Tesla’s expansion into India, including plans for electric vehicle supply chain investments and local manufacturing facilities.⁹

⁴ ‘Bilateral trade agreement with US likely to be finalised by end of the year: Piyush Goyal’, *Times of India*, 16 February 2025, <https://timesofindia.indiatimes.com/business/india-business/bilateral-trade-agreement-with-us-likely-to-be-finalised-by-end-of-the-year-piyush-goyal/articleshow/118308465.cms>.

⁵ ‘Trump slams India with reciprocal tariffs from April 2’, *The Hindu*, 6 March 2025, <https://www.thehindu.com/news/international/us-to-impose-reciprocal-tariffs-against-india-china-from-april-2-trump/article69292835.ece>.

⁶ Rakesh Sharma and Sudhi Ranjan Sen, ‘India to Boost Oil, LNG Imports From US to Avoid Tariffs’, *Bloomberg*, 14 February 2025, <https://www.bloomberg.com/news/articles/2025-02-14/india-to-boost-oil-lng-imports-from-us-to-avoid-tariffs>.

⁷ Sudhanshu Ranjan, ‘Transforming technology: U.S. and India launch the TRUST initiative’, *AIBC*, 19 February 2025, <https://aibc.world/news/u-s-and-india-launch-the-trust-initiative/>.

⁸ Priyanka Shankar, ‘Why is X suing the Indian government as Musk woos Modi?’, *Al Jazeera*, 22 March 2025, <https://www.aljazeera.com/news/2025/3/22/why-is-x-suing-the-indian-government-as-musk-woos-modi>.

⁹ ‘India’s Modi talks space and ‘good governance’ with Musk in Washington’, *Reuters*, 14 February 2025, <https://www.reuters.com/world/indias-modi-holds-meeting-with-billionaire-tesla-ceo-musk-2025-02-13/>.

The US-India summit set a target to double bilateral trade to US\$500 billion (S\$667.8 billion) by 2030 and deepen cooperation in high-technology sectors such as artificial intelligence and semiconductors. This not only reflects the strengthening economic complementarities between the US and India but also underscores the geopolitical intent behind their efforts to restructure regional supply chains amid US-China strategic competition and the China+1 strategy.

Future Possible Developments in US-Indian Trade Relations

The US' approach to policy making with the world is taking on a new contour where 'America First' takes centre stage. India-US bilateral relations in this new era will change in keeping with this approach by the US. While the countries will likely continue their mutual cooperation, given their many areas of aligned interests, the larger US approach under the current Trump administration toward India will be an extension of its approach with the world in general – it will be strategically transactional in pursuance of its MAGA agenda. India is likely to have a similar policy stance where it will leverage US support to drive its own MIGA goals.

Tariffs have been the central theme and tool of preference for Trump in his second term in office to redress America's economic, trade, financial, political, security and immigration policy dissent with countries – be it allies or otherwise. When it comes to India, although the leadership of both countries maintain cordiality and exude optimism on bilateral engagements, Trump has been vocal in expressing his displeasure at India's tariff measures and protectionist trade policy going as far to term the country a "tariff abuser" where "selling anything is impossible" and the market is almost "restrictive".¹⁰

To give economic context to his concern, India is one of the US' top 15 trade deficit partners (in goods trade), with whom it ran a deficit of US\$46 billion (S\$61.8 billion) in 2024.¹¹ India's tariffs are the highest among the major economies and, on average, are five times that of the US.¹² Trump's India playbook has majorly centred around this charge, and as a starting point for redressal, he announced in the joint press conference with Modi during their February 2025 meeting in the White House that America will resort to reciprocal tariffs with India, for example, charging as much as India charges. Trump's concept of reciprocal tariff is not simplistic and casts a wide net to factor in larger market protection measures like regulations and non-tariff barriers that impede American business market access.¹³ This makes it a highly complex analytical exercise and requires much clarity, which is expected from the 2 April 2025 'Liberation Day' announcement by the Trump administration when

¹⁰ Yoshita Singh, 'Trump says India agreed to cut tariffs way down', *Press Trust of India*, 8 March 2025, <https://www.ptinews.com/story/national/trump-says-india-agreed-to-cut-tariffs-way-down/2356564>

¹¹ Shawn Donnan, Enda Curran and Maeve Cousin, 'Trump's Tariffs Set to Make History and Break a System MAGA Loathes', *Bloomberg Economics*, 1 April 2025, <https://www.bloomberg.com/news/features/2025-03-31/trump-s-reciprocal-tariffs-risk-us-recession-trade-turmoil>.

¹² Daniel Flatley and Brendan Murray, 'What Is Trump Actually Trying to Do with Tariffs?', *Bloomberg Economics*, 1 April 2025, <https://www.bloomberg.com/explainers/trump-s-tariffs-explained>.

¹³ Ibid.

the reciprocal tariffs are set to take effect globally.¹⁴ On a parallel note, to deepen cooperation and enable doubling bilateral trade to US\$500 billion (S\$667.8 billion) by 2030, as mentioned at the beginning of this paper, India and the US are trying to fast-track a bilateral trade agreement by the fall of 2025.¹⁵

A few indications emerge on the future development paths from this new era of US-India relations. First, the US is pushing to leverage its position as India's top export destination to strategically negotiate favourable terms for American firms and farmers. With ratings agencies estimating a US\$7.3 billion (S\$9.8 billion) decline in India's exports to the US in the next fiscal year should the reciprocal tariffs kick in,¹⁶ India has already reduced tariffs on a few products, like high-end automobiles and bourbon whiskey, to accommodate the US' demands placed since the February 2025 meeting. There are also indications that New Delhi could cut tariffs on cars, electronics and medical services.

It is pragmatic that India, for whom the US has been a top export destination for decades, shows an accommodative stance where they assess mutual benefit. This concession and flexibility shown by India will probably be limited to the industrial manufacturing sector where high growth possibilities are greater and serve both the American and the Indian growth goals. If the push comes for relaxation in India's highly sensitive agriculture and farm sector, as voiced by the US Commerce Secretary Howard Lutnick¹⁷ and other areas where India traditionally exercises strategic autonomy like defence deals, the accommodative stance shown by India, henceforth, is highly unlikely to extend, and the *modus operandi* is likely to change to that of firm negotiations and countermeasures.

To this extent, it will be interesting to see what output emerges from the negotiations on the bilateral trade agreement that both countries have committed to complete (at least the first tranche) by the fall of 2025. For the US, this will be an exercise that will push the envelope to tap into the vastly untapped Indian market for its people and businesses. For India, this could mean access to American capital and technologies, which could help it climb up the value chains, all the while balancing its risk profile. This could also present a rare opportunity for India to refresh its tariff frameworks. With tariffs taking on a dynamic and strategic definition in the current times, the new era of US-India relations could spur modern uses of tariffs to showcase new age barter such as tariff-for-technology-transfer – a case in point being the US' negotiation with India to lower tariffs on General Electric aircraft engines while simultaneously offering transfer of F414 turbofan engine technology.¹⁸ The

¹⁴ Wyatt Grantham-Philips, 'Trump has dubbed April 2 'Liberation Day' for his tariffs. Here's what to expect', *AP News*, 1 April 2025, <https://apnews.com/article/trump-reciprocal-tariffs-liberation-day-april-2-86639b7b6358af65e2cbad31f8c8ae2b>.

¹⁵ 'No sign of India tariff relief as US trade mission ends', *The Economic Times*, 30 March 2025, <https://economictimes.indiatimes.com/news/economy/foreign-trade/no-sign-of-india-tariff-relief-as-us-trade-mission-ends/articleshow/119743944.cms?from=mdr>.

¹⁶ Ibid.

¹⁷ 'India blocks United States' farmers, claims America's Commerce Secretary Howard Lutnick', *The Economic Times*, 13 March 2025, <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-blocks-united-states-farmers-claims-americas-commerce-secretary-howard-lutnick/articleshow/118982873.cms?from=mdr>.

¹⁸ 'India and U.S. Finalizing Jet Engine Deal with Increased Technology Transfer', *The Aviationspace*, 28 January 2025, <https://aviationspaceindia.com/news/india-and-us-finalizing-jet-engine-deal-increased-technology-transfer>.

intensity of the US' pressure in such bilateral interactions reinforces the view that the new era of bilateral relations between Washington and New Delhi will be strategically transactional, revealing the underlying competition beneath the surface of their aligned interests.

India has so far been nimble in handling the blindsided tariff as well as policy threats emerging from the American shores. It has shown keenness to deepen its bilateral relations with the US, irrespective of the administration in charge, so as to achieve its own goals. Besides the bilateral trade agreement that is underway with the US, the country has, for some time now, been actively forging bilateral trade partnerships with several countries and blocs, including the European Union, for two main reasons, namely, to define its own risks and diversify its trade partners so that India remains as insulated as possible in times of uncertainty; and to open up new avenues that would allow India to leap through to the next stage of growth and prosperity.

Besides economic reasons, India also realises that it holds a critical strategic position in the Indian Ocean and is an important member of the Quadrilateral Security Dialogue, making it a key pillar in advancing the US' Indo-Pacific strategy in countering China. It exerts influence in various international forums, including the World Trade Organization, G20 and BRICS¹⁹ and is emerging as the leader and voice of the Global South. As both India and the US step into the new era of cooperation where they take on new paths in pursuance of achieving objective prosperity for themselves, their individual strategies could not be more starkly different – the US is looking to build tall tariff walls to make America great again while India is actively looking to push back boundaries by forging new ties with various countries, including the US, to achieve prosperity. Only time will tell which strategy will work out best, and it will be an interesting case study to dissect in the future.

China's Reaction

The deepening of US-India economic and trade cooperation following Modi's visit to the US will have multifaceted implications for China. The US and India plan to convene partners from the India – the Middle East-Europe Economic Corridor and the I2U2 group (India, Israel, the United Arab Emirates and the US) within the next six months to announce new collaborative initiatives.²⁰ The advancement of these mechanisms will create a competitive dynamic with China's Belt and Road Initiative. In particular, the deepening of US-India cooperation on infrastructure and regional connectivity in South Asia and Southeast Asia may reduce some countries' demand for China's infrastructure partnerships, thereby increasing pressure on China in regional economic competition.

Meanwhile, as the Indian market opens further to American businesses, Chinese enterprises may face intensified competition and stricter policy barriers. Specifically, in sectors such as high technology, consumer goods and new energy, deepened US-India collaboration could

¹⁹ Originally comprising five countries – Brazil, Russia, India, China and South Africa – BRICS now has five additional members. They are Egypt, Ethiopia, Indonesia, Iran and the United Arab Emirates. For details on the BRICS, see <https://infobrics.org/>.

²⁰ Moksh Suri and Shashank Tiwari, 'Can IMEC Transition From Vision to Reality?', *The Diplomat*, 12 March 2025, <https://thediplomat.com/2025/03/can-imec-transition-from-vision-to-reality/>.

accelerate the marginalisation of Chinese companies in the Indian market. In fields like electric vehicles, telecommunication equipment and digital services, India is likely to attract increased investment from US companies.

For China, the return of Trump brings a certain degree of strategic manoeuvring space due to the diplomatic uncertainties it creates. The 'America First' isolationist policy of the Trump administration is likely to exacerbate the strategic cognitive asymmetry between the US and India, increasing the divergence in perceptions of cooperative benefits. According to an article published by *The Hindustan Times* on 24 January 2025, the narrative of seeking balance between China and the US has resurfaced in India's mainstream media,²¹ signalling that India's policymakers and strategists are adjusting between a pro-US stance back with multilateralism.

Furthermore, given that India's domestic manufacturing, research & development and supply chain upgrades still require time, its reliance on China's low-cost raw materials, components and technology makes a complete decoupling from China unlikely in the short term. China and India should actively promote a strategy of coexistence of competition and cooperation in economic and trade relations, maintaining collaboration and influence in key sectors.

Conclusion

Under the Trump 2.0 era, US-India economic and trade cooperation is driven by the logic of reciprocal restructuring, centred on the above-mentioned three key pillars. This cooperation reflects India's ambition to leverage US technological and financial capital to accelerate industrial upgrading while also demonstrating Washington's intent to embed India within its Indo-Pacific economic strategy – marked by the distinct characteristics of Trump's governance style. Going forward, US-India economic and trade cooperation will continue to be shaped by iterative negotiations and dynamic adjustments.

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²¹ 'Resetting ties with Beijing', *The Hindustan Times*, 24 January 2025, <https://www.hindustantimes.com/opinion/resetting-ties-with-beijing-101737729612020.html>.