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India can use retaliatory measures in case of trade war with US: Think tank

In 2023, bilateral trade between India and the United States reached \$117.8 billion, with India importing goods worth \$42 billion and exporting \$75.8 billion

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India Is Among The Top Ten Contributors To The US Trade Deficit. (Photo: Shutterstock)

India has the option to retaliate against any tariff measure by the US during the Donald Trump administration in sectors such as mineral fuels, iron, and steel products. However, it should also take proactive measures to engage directly with consumers and diversify markets to mitigate any adverse impacts, the Research and Information System (RIS) for Developing Countries stated on Tuesday. India is among the top 10 contributors to the US trade deficit. In 2023, bilateral trade between India and the US reached \$117.8 billion, with New Delhi importing goods worth \$42 billion and exporting \$75.8 billion.

“Our idea of finding an India-US partnership has to factor in trade, investment, technology, and finance. To deal with this in a comprehensive way, India’s private sector has to combine energies with the government as well,” said Sachin Chaturvedi, director general, RIS.

He said India should urgently consider appointing a task force or creating other institutional mechanisms that bring in domestic policy coherence along these issues.

During a discussion titled “Trade, Tariff and Trump,” attended by RIS faculty members and trade and policy experts, it was suggested that it would be lucrative for India to trade in high-technology sectors where US tariffs are the lowest. India’s exports of high-technology products surged from \$6.6 billion in 2017 to \$18 billion in 2023, while medium-technology-intensive goods grew from \$7.7 billion in 2017 to \$13.8 billion in 2023.

“If Trump imposes tariffs that violate World Trade Organization (WTO) rules, then we should retaliate. We should engage, but we should not hesitate in taking a tough line if Trump imposes tariffs,” said Abhijit Das, WTO expert, while taking part in the discussion.

On India being a major beneficiary of the H1-B visa with a share of 72 per cent, former Commerce Secretary Rajeev Kher said 65 per cent of these visas are for people with computer skills, and India needs to look at skill distribution. He also said that India may need to make sacrifices in some areas where higher tariffs have been imposed.

The discussions highlighted that India is well entrenched in the services sector in the US, but there is an inordinately high reliance on the H1-B visa as a tool for service delivery.

“Service delivery business models are changing rapidly, so the provision of services from BPOs etc. stationed in India may not benefit as much from the time-zone advantage any longer. India may like to increase its focus on professional services and maintenance, repair and overhaul (MRO) services, and similar other service sub-sectors,” the RIS said in a statement.

India’s final consumer goods segment may emerge as a significant trade target, according to RIS, as the country recorded its largest trade surplus with the US in 2023. This trade surplus was evident as imports from the US totalled \$2.9 billion, while exports soared to \$26.6 billion.

“If the trade restrictions adopt a broad-based approach, segments such as chemical products, made-up textiles, and wood pulp may also come under scrutiny. In the event of product-specific actions, exports from pharmaceuticals, fisheries, and gems and jewellery sectors would likely bear the brunt,” the RIS said.

TALKING POINTS

- > Lucrative for India to trade in high-technology sectors where US tariffs are the lowest
- > India well entrenched in services sector in the US
- > There is inordinately high reliance on H1-B visa as a tool for service delivery
- > India's final consumer goods segment may emerge as a significant trade target

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