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NITI Aayog

TRADE WATCH

QUARTERLY

October-December (Q3) FY25

TRADE WATCH QUARTERLY, Quarterly Report for the FY25

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October-December (Q3) FY25

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Foreword

The role of trade in India's development trajectory continues to evolve rapidly providing a strategic lever for industrial upgrading, technology diffusion, and employment generation. As global demand patterns shift, trade continues to be critically important for value creation and market access. For India, sustaining growth in this dynamic environment will depend on how effectively it leverages trade to move up the value chain, diversify its export basket, and deepen its presence in emerging sectors. This edition of Trade Watch Quarterly focuses on India's trade performance in Q3 FY25 and presents a thematic analysis of the implications of the current US tariff regime.

At the same time, India's digitally delivered services exports remain robust, reinforcing its position as a global digital hub. India's ability to attract global clients across IT, professional services, and R&D reflects not only its demographic dividend but also the growing credibility of its digital infrastructure and regulatory frameworks. As cross-border services trade becomes increasingly central to global commerce, India stands well-positioned to shape and benefit from emerging norms around data flows, AI deployment, and digital standards.

Realizing these strategic gains will require calibrated efforts. The insights in this edition aim to inform these policy pathways, while also providing a broader overview of export-import trends, sectoral shifts, and trade balances. As India navigates rapidly evolving global trade, this edition of Trade Watch Quarterly seeks to strengthen informed decision-making and reinforce India's position as a competitive global trading partner.

I take this opportunity to acknowledge the continued guidance of Shri B.V.R. Subrahmanyam, CEO of NITI Aayog, and commend the Economic & Finance-I team at NITI for their dedicated efforts in producing this edition of the Trade Watch Quarterly.

[Suman K. Bery]

July' 2025

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एक कदम स्वच्छता की ओर

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FOREWORD

India's evolving trade engagement reflects a deeper structural transformation of its economy anchored in competitiveness, innovation, and integration with global value chains. As global economic currents shift and trade realignments accelerate, India is steadily positioning itself not just as a participant, but as a shaping force in the new global trade architecture. Amidst the ongoing trend of "partial economic decoupling", India is increasingly emerging as a potential gainer, with the trade negotiations (BTA/FTA) making the outcome more likely.

The third edition of *Trade Watch Quarterly* signals key structural shifts in India's trade performance. Services exports continue to be a strong driver for growth. The report also highlights the strategic implications of the current U.S. tariffs on India's merchandise trade, which offers India a competitive edge over major rivals like Canada, China and Mexico in its largest export market. The resulting tariff differential presents new opportunities across sectors such as textiles, pharmaceuticals, electricals, and precision manufacturing, positioning India to expand its export footprint in high-potential product lines. This edition captures these dynamics with sharp analytical depth. It presents a forward-looking lens on where India stands, what opportunities lie ahead and can help translate potential into sustained trade gains.

I take this opportunity to acknowledge Shri B.V.R. Subrahmanyam, CEO of NITI Aayog, for his continued leadership and strategic guidance. I also extend my appreciation to the advisory board and the Economic & Finance-I team at NITI Aayog for their valuable contributions. Their work reflects a commitment to evidence-based policy and India's long-term objective of becoming a globally competitive, innovation-led export powerhouse.

New Delhi

July'2025

Arvind Virmani

(Arvind Virmani)

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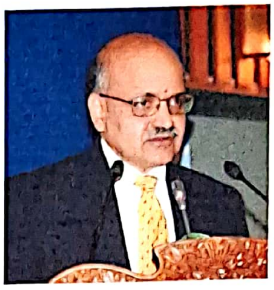

FOREWORD

India's trade trajectory continues to reflect resilience and strategic adaptation in an increasingly complex global environment. The Trade Watch Q3 FY25 edition provides a timely and data-rich analysis of India's merchandise and services trade, alongside an in-depth exploration of evolving global trade policies and their implications for India.

This quarter witnessed a modest growth in merchandise exports, driven by emerging sectors such as aerospace and electronics, while services exports demonstrated robust momentum, reaffirming India's strength in digitally delivered services. India's positioning as the world's fifth-largest exporter of digital services underscores the country's growing role in the global knowledge economy.

The thematic focus of this edition on recent shifts in global tariff structures offers critical insight into a pivotal moment in international trade realignment. India's relative tariff advantage vis-à-vis major competitors presents a strategic window to expand market share in key sectors including pharmaceuticals, textiles, and electrical machinery. The report highlights these opportunities in granular detail and outlines policy pathways to strengthen India's competitiveness in the US market and beyond. While global supply chains adjust to these evolving dynamics, India is uniquely positioned to benefit. Even in sectors where the tariff gap is narrow, India does not stand to lose ground. On the contrary, this changing trade environment presents a timely opportunity for India to consolidate its existing advantages and unlock new areas of export growth.

At a time when global trade is being reshaped by geopolitical shifts, technological change, and policy uncertainty, this edition serves as a valuable resource for policymakers, industry, and academia. It offers forward-looking recommendations to deepen India's integration into global value chains, enhance services trade, and strengthen trade facilitation.

I commend the team for their rigorous analysis and thoughtful commentary. I am confident that Trade Watch Q3 will continue to contribute meaningfully to India's evolving trade strategy.

[B.V.R. Subrahmanyam]

स्वच्छ भारत
एक कदम स्वच्छता की ओर

Dr. Pravakar Sahoo
Senior Advisor (Economics & Finance – I)
National Institution for Transforming India (NITI Aayog)
Government of India

Acknowledgement

In the backdrop of rising geo-economic fragmentation, digitalisation of trade, and shifting global demand patterns, the need for real-time, data-driven trade monitoring has never been more critical. The *Trade Watch Quarterly (TWQ)* is a strategic knowledge product that seeks to bridge this gap by offering timely analysis of India's performance.

With its thematic spotlight on emerging global tariff trends because of US trade policy in recent months and India's export positioning, this edition aims to analyse how these shifts influence India's relative competitiveness and open new avenues for export expansion. It further examines India's positioning in high-technology and digital services exports, highlighting potential areas for trade diversification and policy leverage. We intend to equip stakeholders from government to industry to academia with timely, relevant, and actionable trade intelligence.

I would like to take this opportunity to express my deep gratitude to Shri Suman Bery, Vice Chairman, NITI Aayog, whose encouragement and support have been crucial in driving our efforts. I am immensely thankful to Shri B.V.R. Subrahmanyam, CEO, NITI Aayog, for his visionary leadership and steadfast commitment, which have played a central role in shaping this report. His continuous guidance, strategic foresight, and dedication to excellence have set a remarkable standard for all of us. I thank Hon'ble member, Dr. Arvind Virmani, for his continued support and guidance.

I thank all the members of NITI Aayog for their support and valuable contributions to this initiative. The successful completion of this report is a testament to the collective efforts of the Economics & Finance–I vertical. I would like to sincerely thank Shri Amit Verma, Jyotika Nagvanshi, Mala Parashar, Pooja Teotia, Apica Sharma, Abhilasha Manda, Salome Sara Philips, Riya Jindal and Kavya Raghuram Rao for their dedication, hard work, and collaborative spirit throughout the development of this edition.

We hope this edition of Trade Watch serves as a valuable resource for navigating the shifting contours of global trade and guiding strategic decisions in India's journey to becoming a leading trade powerhouse.

New Delhi
July' 2025

Pravakar Sahoo

Dr. Pravakar Sahoo

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EXECUTIVE SUMMARY

International trade is a powerful catalyst for economic growth, productivity, and long-term development across nations. India's trade performance in Q3 FY25 (October–December 2024) reflected cautious resilience amidst geopolitical volatility and shifting global demand.

Merchandise exports registered a modest year-on-year growth of 3%, reaching USD 108.7 billion. The export composition remained largely stable, with notable shifts such as the rise of aircraft and spacecraft into the top ten export categories. North America and the European Union regionally continued to account for approximately 40% of total exports. On the other hand, imports expanded by 6.5% to USD 187.5 billion, widening the merchandise trade deficit. On the import side, growth was observed in animal or vegetable fats and oils (up 51.4%), particularly soybean oil from Argentina, and precious stones and pearls (up 18.6%). Northeast Asia and West Asia remained the leading sources of imports for India.

The services sector continued to demonstrate strength, with exports rising by 17% year-on-year to USD 102.6 billion and imports increasing by 22.5% to USD 52.4 billion. This resulted in a services trade surplus of USD 52.3 billion, offering partial offset to the merchandise imbalance. Additionally, India ranked as the world's fifth-largest exporter, with $269 billion in Digitally Delivered Services (DDS) exports in 2024, powered by IT services, professional consulting, and R&D outsourcing, strengthening India's position as a global hub for digital trade. High-tech merchandise exports have also gained momentum since 2014, led by electrical machinery and arms/ammunition, growing strongly at 10.6% CAGR.

The thematic focus of this quarter's edition is the United States' evolving trade policy, notably the introduction of the current US tariff regime since April 2025 till 10th July' 2025, and its implications for India's export competitiveness. The US implemented a baseline 10% tariff on all imports, alongside higher tariffs on specific trading partners such as China, Canada, Mexico, Vietnam, and Thailand. While India's average tariff exposure remains moderate, this policy shift presents a unique strategic opportunity for Indian exporters. Analysis at the HS-2 and HS-4 levels shows India is well-positioned to gain market share in a significant portion of its exports to the US, covering over 61% of trade value in the top 30 HS-2 product categories and 52% in the top 100 HS-4 product categories.

These developments highlight the strategic importance of the US as India's largest export destination and a key growth corridor. India must pursue complementary policy measures to capitalise these advantages, including targeted export promotion, deeper integration into global value chains, and a services-focused trade agreement with the US building institutional frameworks around digital trade, cross-border data flows, and mutual recognition agreements can expand India's services footprint further. The evolving global trade environment demands agile policymaking on new trade alignments.

HIGHLIGHTS

1. In Q3 FY25, merchandise exports grew by 3% (to $108.7 bn) while imports rose by 6.5% (to $187.5 bn) widening the trade deficit to $78.7 bn. However, a services surplus of $52.3 bn, driven by 17% growth in services exports, partially offset this gap.
2. Export composition remains stable; aircraft, spacecraft and parts entered the top ten exports surging by over 200% year-on-year due to increased demand from Saudi Arabia, UAE, and Czech Republic.
3. Despite the dominance of lower-tech exports, India's export structure gradually shifts toward medium-high and high-tech, indicating rising export sophistication.
4. India's high-tech exports grew 10.6% CAGR to $80.6 billion in 2024, comprising 18.3% of total merchandise exports.
5. Electrical machinery and parts emerged as the top high-tech export in 2024, making up 50% of the segment and surpassing nuclear reactors and boilers, which led in 2014.
6. India's DDS exports more than doubled over the decade, reaching $269 billion in 2024 and making the country the fifth-largest exporter globally.
7. In the DDS export composition for 2024, 'Other Business Services' led with a 53% share, followed by 'Computer Services' at 39%, aligning with global trends.
8. **In the current US tariff regime, at the HS 2 level, India is expected to gain competitiveness in 22 of the top 30 product categories,** covering 61% of its exports to the U.S. and representing 68% of total US imports.
9. Similarly, **at the HS 4 level, India enjoys a favorable tariff differential in 78 of the top 100 products,** accounting for ~52% of its exports to the US.
10. India gains a tariff edge over China, Mexico, and Canada in key HS 2 sectors, enhancing market potential in nuclear reactors, iron and steel, textiles, electricals and vehicles.
11. In sectors where India does face slightly higher tariffs (6 out of top 30 HS 2 categories), the average tariff disadvantage is only 1%, suggesting India remains broadly competitive.
12. Due to realigned US tariffs on competitors, India has opportunities in high-value sectors (e.g., electronics, nuclear reactors) and labour-intensive goods (e.g., apparel, textiles).

Contents

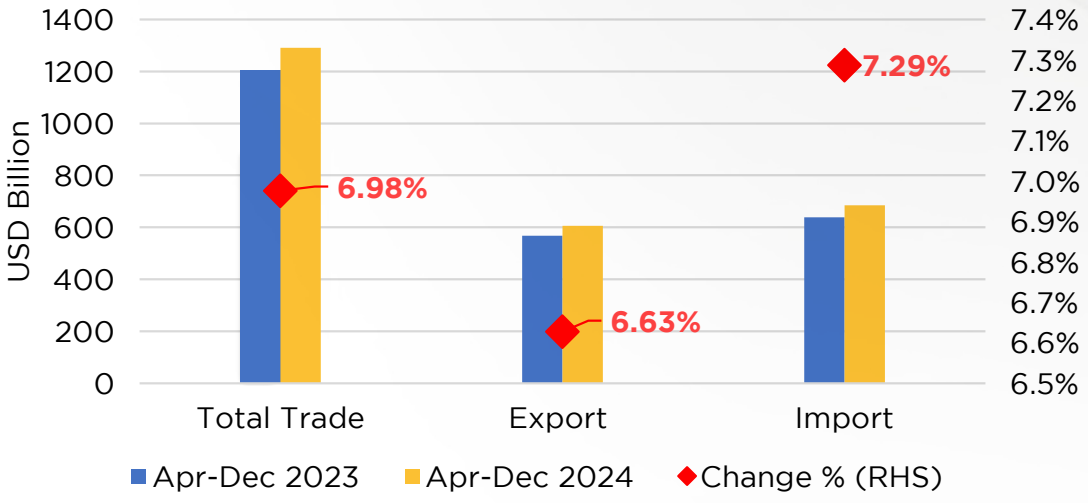
A.
INDIA'S TRADE ANALYSIS

A. India's Trade Analysis

Global trade in goods and services increased by approximately 3.7% in the Q3 FY25, driven by modest expansion in goods trade (2%) and strong momentum in services trade (9%). Over the past four quarters, developing economies have generally registered higher overall trade growth than their developed counterparts.[1]

India's merchandise and services trade performance remained steady between April and December. During this period, total trade amounted to $1290.35 bn, reflecting a year-on-year increase of ~7%. In Apr-Dec 2024, exports rose by 6.63% year-on-year, reaching $606 bn, while imports grew by 7.29%, reaching $684.4 bn. (Figure 1).

Figure 1: Trade performance in Apr-Dec FY25



Source: Department of Commerce, MoC&I, GOI

1. Merchandise and Services Analysis

In December 2024, merchandise exports recorded a slight year-on-year decline of $0.59 bn, reaching $37.8 bn, while imports registered a 2.3% increase, reaching $58.5 bn (Figure 2). On a volume basis, both exports and imports witnessed a year-on-year contraction. During Q3 FY25, monthly average exports stood at $36.2 bn, and imports averaged $62.4 bn. On a quarterly basis, exports rose modestly by 3% year-on-year to $108.7 bn, whereas imports grew by 6.5% to $187.5 bn. (Figure 3)

Figure 2: Merchandise Trade (Monthly)

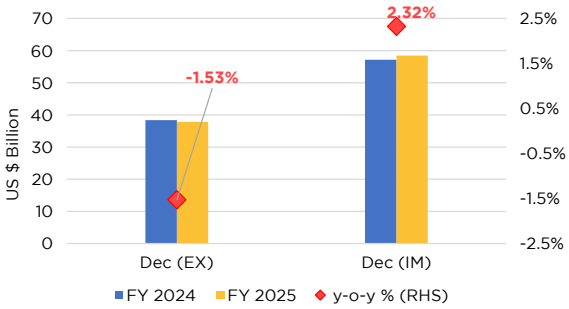
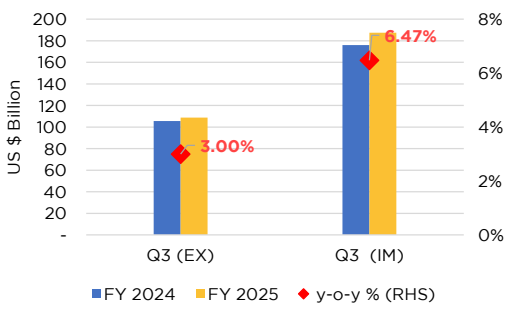


Figure 3: Merchandise Trade (Quarterly)



Source: Department of Commerce, MoC&I, GOI

1 https://unctad.org/system/files/official-document/ditcinf2025d1.pdf

In December 2024, India's services exports stood at $32.7 bn, registering a year-on-year growth of 3.26%, while services imports increased more sharply by 11.96% to approximately $17.5 bn. During Q3 FY25, services exports witnessed a robust annual expansion of 17%, amounting to $102.6 bn. Services imports rose by 22.52% to $ 52.4 bn during the same period, resulting in a net services trade surplus of $ 50.2 bn.

Figure 4: Services Trade (Monthly)

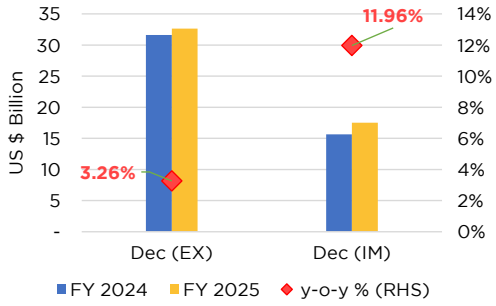
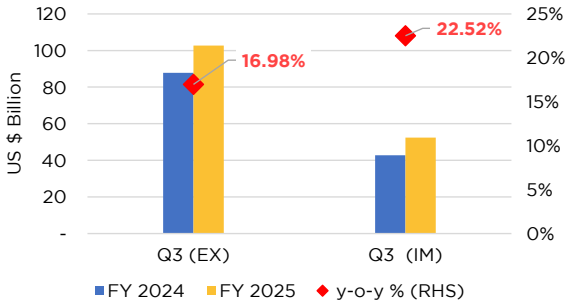


Figure 5: Services Trade (Quarterly)



Source: Department of Commerce, MoC&I, GOI

As of December 2024, merchandise exports stood at $312.3 bn, while imports totalled $534.3 bn, resulting in a trade deficit of $212 bn. On the services front, exports amounted to $284.6 bn and imports to $150 bn, yielding a net surplus of $134.6 bn. The combined balance of trade in goods and services registered a net deficit of $78.3 bn for the year ending December 2024.

2. Compositional Analysis

Merchandise Exports

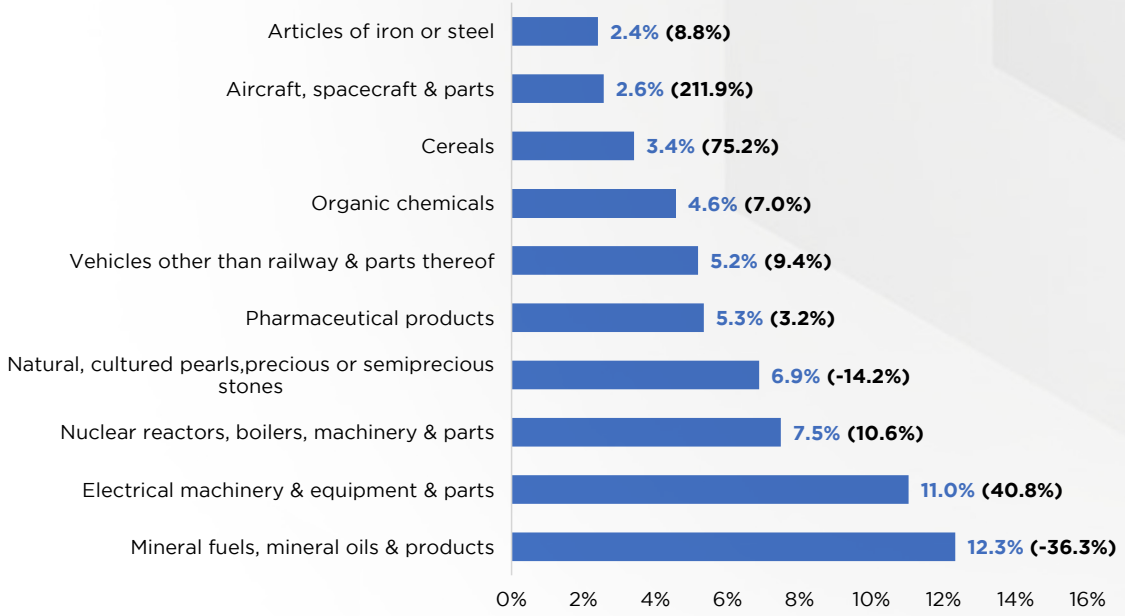
In Q3 FY25, India's leading[2] export commodities included mineral fuels (12.3%), electrical machinery and equipment (11.0%), and nuclear reactors (7.5%). Notably, exports of aircraft, spacecraft, and related parts experienced a steep increase of over 200% year-on-year. Cereals and electrical machinery also recorded annual growth rates of 75.2% and 40.8%, respectively. In contrast, exports of natural and cultured pearls declined by over 14% on year-on-year basis during the same period. (Figure 6)

Exports of aircraft, spacecraft, and parts registered a sharp increase, driven by heightened demand for commercial aircraft and cargo planes, particularly from Saudi Arabia, the UAE, and the Czech Republic. Electrical machinery exports also saw a strong uptick, primarily due to the surge in smartphone shipments, which rose from approximately $4 bn in Q3 FY24 to $7 bn in the Q3 FY25—reflecting a growth of nearly 74%. Within the cereals category, rice exports recorded robust growth following the removal of export restrictions on various rice types in October.[3]

2 Leading commodities are the top ten commodities with the highest value share in exports.

3 https://content.dgft.gov.in/Website/dgftprod/28145972-b272-44ac-8778-c52502d4c5bd/Notification%20No.%2037-2024-25%20dated%2023.10.2024%20-English.pdf

Figure 6: Q'3 Composition and Growth of Exports



Note: Year-on-year growth of the commodity in India's export for this quarter is mentioned in parenthesis

Source: Department of Commerce, MoC&I, GOI

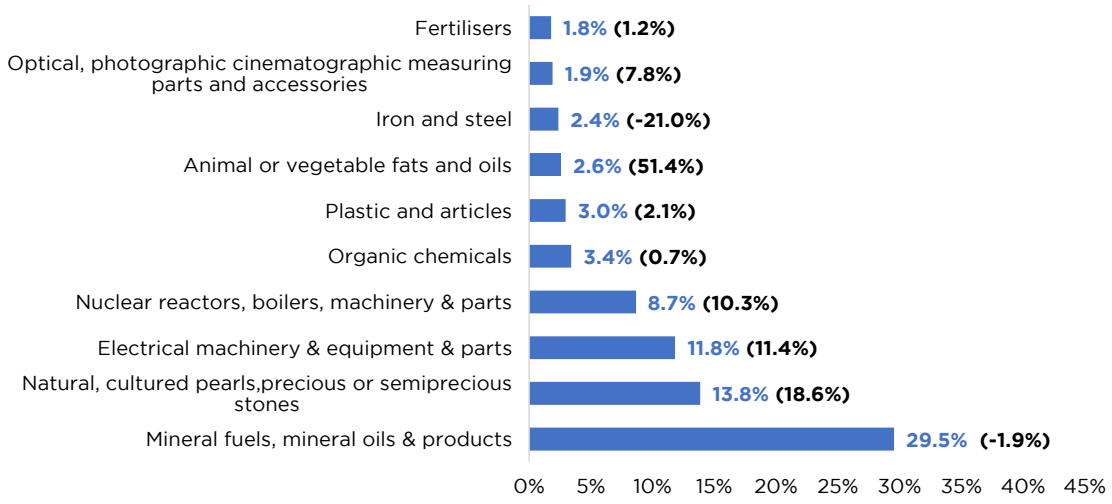
Merchandise Imports

The leading[4] imports in the third quarter include mineral fuels (29.5%), natural and cultured pearls (13.8%), electric machinery (11.8%), and nuclear reactors (8.7%). Strong import growth was witnessed in animal fats and oils, which increased by 51.4%, followed by natural or cultured pearls, precious and semi-precious stones (18.6%), and electrical machinery (11.4%). In contrast, iron and steel imports registered a sharp decline of 21%. (Figure 7)

The sharp rise in imports under the chapter on animal or vegetable fats and oils was primarily driven by increased shipments of crude soybean oil, particularly from Argentina, and palm oil from Indonesia. Imports of natural and cultured pearls, precious and semi-precious stones saw an uptick due to higher inflows of uncut and industrial diamonds from Canada.

4 Leading commodities are the top ten commodities with the highest value share in imports.

Figure 7: Q'3 Composition and Growth of Imports



Note: Year-on-year growth of the commodity in India's imports for this quarter is mentioned in parentheses

Source: Department of Commerce, MoC&I, GOI

Table 1: Q3 Non-Petroleum Exports and Imports

Particulars[5]	Q3 FY24 (USD bn)	Q3 FY25 (USD bn)	Year-on-Year Growth (%)
Exports (non-petroleum)	85.41	96.09	12.5%
Imports (non-petroleum)	130.06	146.56	12.7%
Trade Deficit	-44.65	-50.47	13.0%

Source: Department of Commerce, MoC&I, GOI

In Q3 FY25, non-petroleum trade growth has outpaced overall export and import growth. Non-petroleum exports grew by 12.5% compared to just 3% for overall exports, indicating strong performance in non-oil sectors such as electronic machinery. Similarly, non-petroleum imports rose by 12.7%, nearly double the 6.5% growth in overall imports, reflecting robust domestic demand. As a result, the non-petroleum trade deficit widened by 13%, faster than the overall trade gap. (Table 1)

5 For computing non-petroleum exports and imports, HS codes 2709, 2710, 2712, 2713, 2714, and 2715 have been excluded.

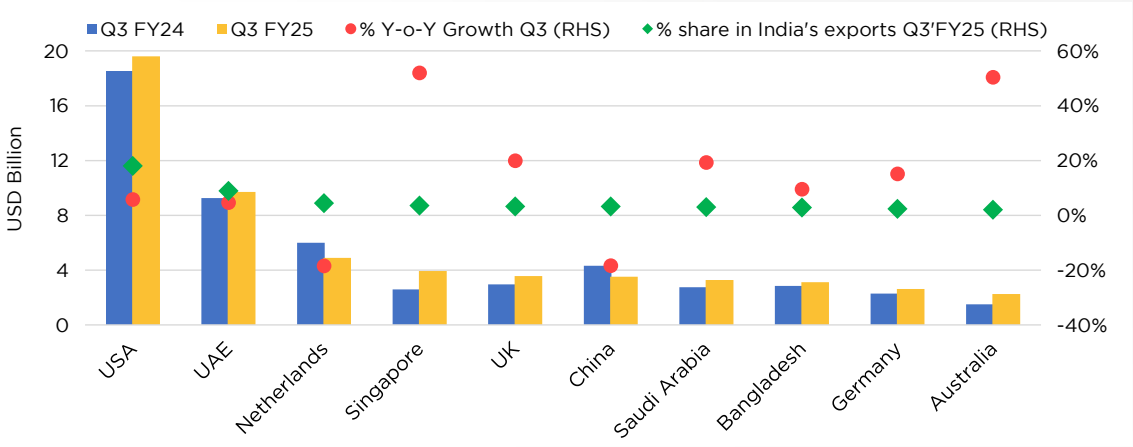
3. Trade Direction

Merchandise Exports

India's exports to its top markets[6] (USA, UAE, Netherlands, Singapore, UK and China) accounted for about ~42% of Q3 FY 25 exports. Exports to the top ten markets showed a year-on-year increase of 6.54%, with positive export growth recorded in eight of the top ten economies, with Singapore and Australia clocking a year-on-year growth of over 50%. However, declines were recorded with the Netherlands (18.3%) and China (18.35%) compared to Q3 FY24. (Figure 8).

Exports to Singapore increased 52% year over year, primarily due to higher shipments of large cargo vessels and petroleum products. Exports to Australia also increased, supported by a rise in petroleum product exports and electrical components.

Figure 8: India's exports to major destinations



Source: Department of Commerce, MoC&I, GOI[7]

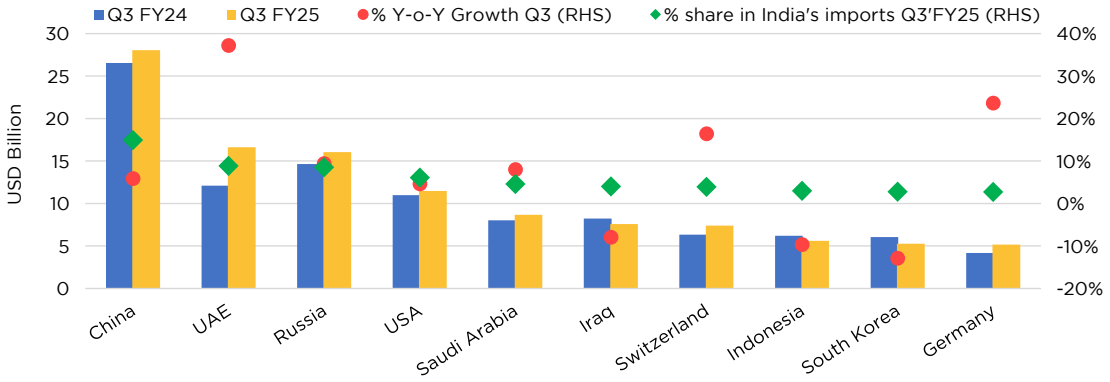
Merchandise Imports

India's import exposure to its top markets[8]—China, UAE, Russia, and the USA—made up nearly ~38% of total imports. Import growth was experienced in seven out of the top ten import destinations in terms of share of total imports during Q3 FY25. Imports to the top ten economies experienced a 8.5% year-over-year growth, growing from $103 bn to $112 bn.

In Q3 FY25, India continued to record strong year-on-year import growth with UAE (37.2%), on account of rising gold and crude imports. Imports from Iraq declined by 7.9% due to declining demand for dates and bitumen petrol in domestic markets. Imports from Indonesia declined by 9% due to a decline in coal imports. (Figure 9)

6 Top markets are those that account for the top 10 shares of total exports in Q3 FY25.
7 For the purpose of this analysis, the top 10 destinations were examined based on their export shares in the total exports for this quarter.
8 Top markets are those that account for the top 10 shares of total imports in Q3 FY25.

Figure 9: India's imports from major destinations



Source: Department of Commerce, MoC&I, GOI

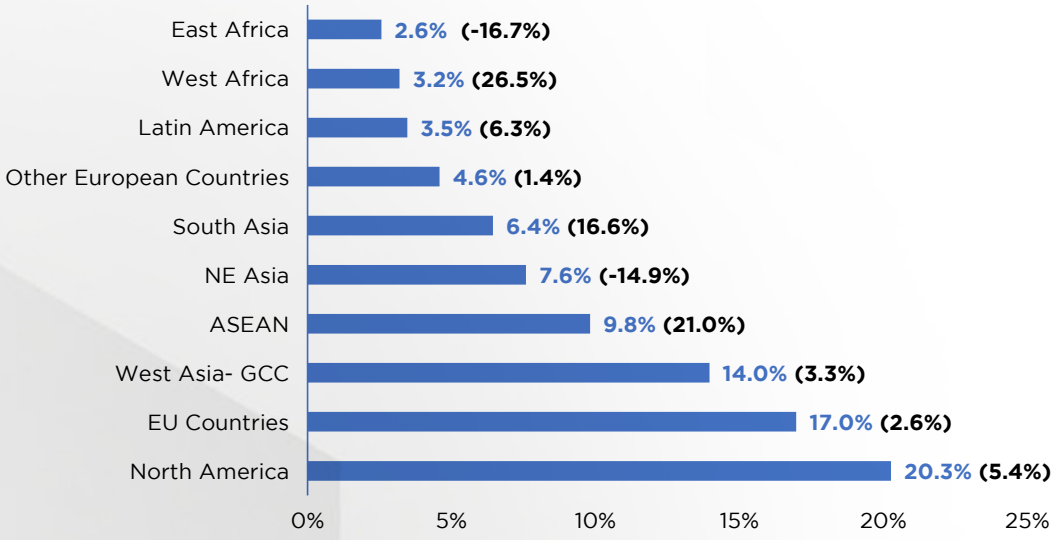
4. Regional Analysis

Merchandise Exports

India's Q3 FY25 exports revealed a mixed performance across regions, but they registered an overall growth of 4.2%, amounting to $96.5 bn this quarter. Eight out of ten regions experienced positive year-on-year growth.

Exports continue to be primarily directed towards North America, the EU, West Asia (GCC), and ASEAN, accounting for 61% of total exports. ASEAN, West Africa, and South Asia recorded strong growth at 21%, 26.5%, and 16.6%, respectively. Exports to ASEAN surged due to increased exports to Singapore surging from $0.6 bn to $2 bn compared to Q3 FY24. (Figure 10)

Figure 10: Region-Wise Export Composition and Growth Q'3



Note: Year-on-year growth of the commodity in India's exports for this quarter is mentioned in parentheses

Source: Department of Commerce, MoC&I, GOI

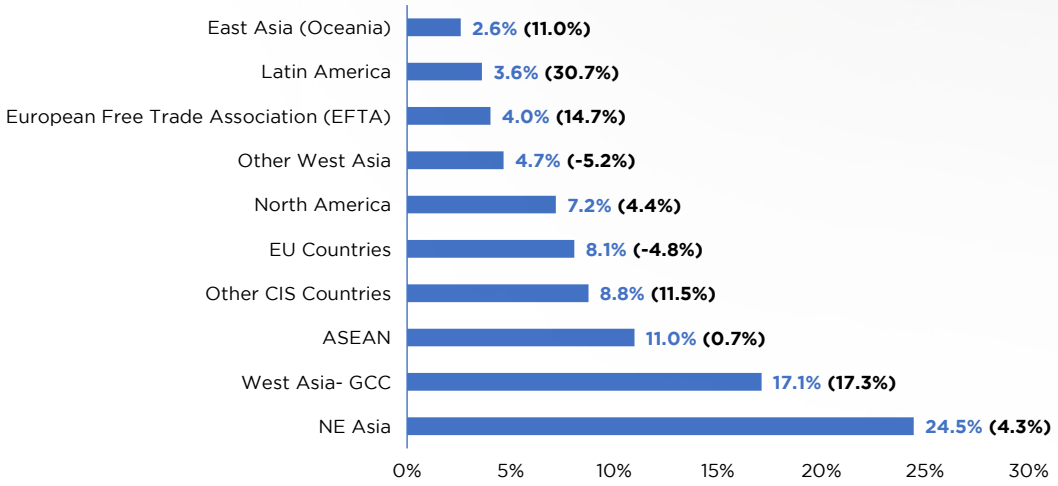
Merchandise Imports

India's Q3 FY25 imports registered an overall growth of 6.7%, reaching $171.36 bn this quarter for the top ten regions. Eight out of ten regions continue to experience positive year-on-year growth, with five regions experiencing a positive growth rate exceeding 10%.

India's imports mainly came from Northeast Asia, West Asia (GCC), and ASEAN, accounting for 52.5% of total imports in Q3 FY25. NE Asia continues to dominate imports, growing by 4.32% year-on-year. Latin America witnessed the highest growth at 30.71%, contributing 3.6% to total imports, whereas ASEAN, which accounts for 11% of trade, witnessed the least growth in trade of less than 1%. Imports from the EU and certain West Asian countries also experienced a decline.

While region-wise imports remained largely stable, growth was notable in emerging markets. Latin America saw strong import growth, particularly from Argentina (100%. The EU saw an overall decline in imports, with notable drops from key members such as France and Greece, despite a few outliers. (Figure 11)

Figure 11: Region-Wise Import Composition and Growth Q'3



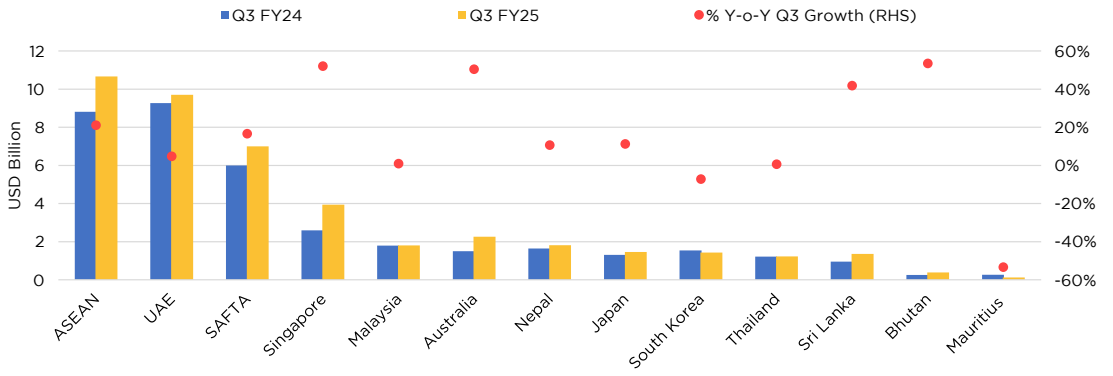
Note: Year-on-year growth of the commodity in India's imports for this quarter is mentioned in parentheses

Source: Department of Commerce, MoC&I, GOI

5. Merchandise Trade with FTA Partners

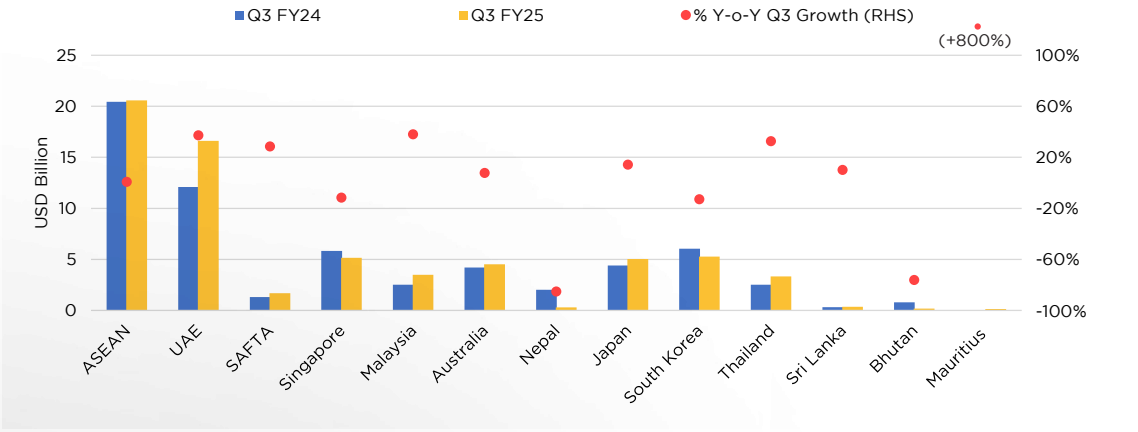
In Q3 FY25, exports to FTA countries totalled $43.19 bn, reflecting a 16% year-on-year increase. Major gains exceeding 50% were experienced in Bhutan (53.4%), Singapore (52.0%), and Australia (50.4%), contributing to the overall growth. However, declines were experienced in Mauritius (53.4%) and South Korea (7.2%). (Figure 12)

Figure 12: Exports- FTA Countries



Source: Department of Commerce, MoC&I, GOI

Figure 13: Imports- FTA Countries



Source: Department of Commerce, MoC&I, GOI

In Q3 FY25, imports from FTA countries grew by 7% year-on-year, reaching $66.7 bn. Mauritius led the growth with a significant 800% increase ($0.15 bn), driven strong demand for floating or submersible drilling or production platforms (HS 890520) in December contributing 87% to the total imports from Mauritius in the quarter. Comparatively, in terms of import volume it stands at $149.6 million.

Malaysia (37.9%), UAE (37.2%), and Thailand (32.6%) also demonstrated strong import growth. However, Nepal (85.2%) and Bhutan (76.2%) recorded significant declines. Overall, in Q3 FY25, trade with FTA partners resulted in a deficit of $23.4 bn, marking a 7.5% year-on-year decline. (Figure 13)

6. Technology Intensity of India's Merchandise Exports

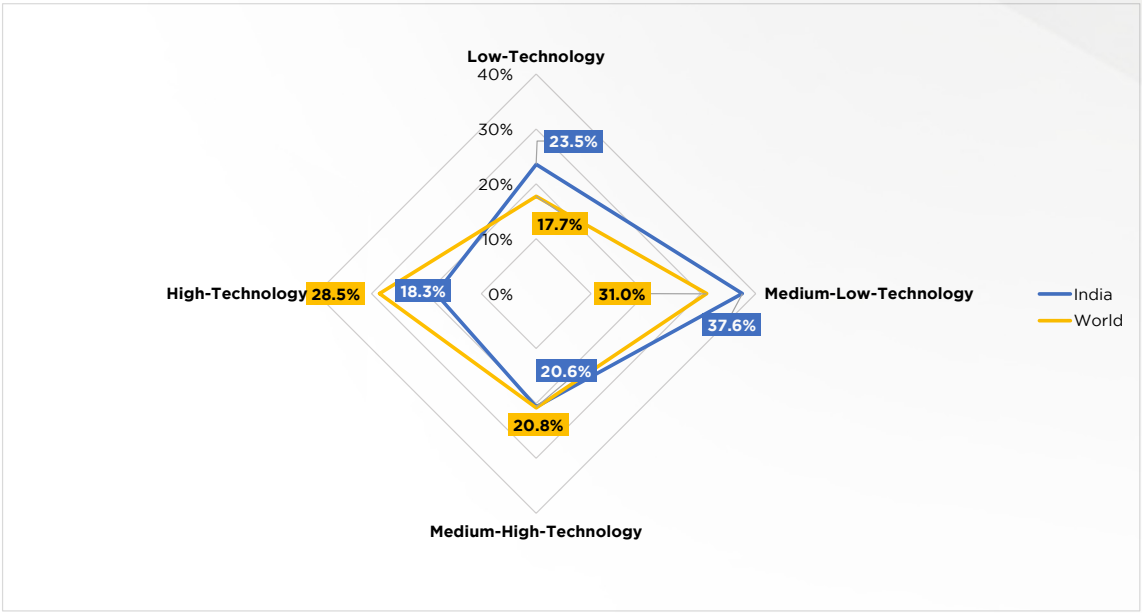
Manufacturing production and exports play a critical role in driving economic growth. In this section, the technology intensity of India's exports has been categorised into four groups, similar to the OECD classification of the degree of intensity.[9] The results reveal that India's exports continue to be dominated by low and medium-low technology in 2024, similar to 2014, although medium-high and high technology

9 Definitions and detailed classification of chapters based on technology intensity are based on authors classification and has been presented in the Appendix

have experienced a strong CAGR of 5.8% and 10.6%, respectively.

Technology Intensity of Exports in 2024 highlights that India's exports remain concentrated in medium-low-technology products (37.6%), with the global average also inclined towards medium-low technology (31%). India also maintains a higher proportion of low-tech exports (23.5%) than the global average (17.7%), signalling a continued reliance on traditional sectors. Notably, India lags in high-technology exports, with only 18.3% of its export basket in this category, compared to nearly a third globally. Medium-high-technology exports are more aligned, with India at 20.6% and the world at 20.8%.

Figure 14: Export Intensity by Technology Level (2024): India vs World



Source: ITC Trade Map

Between 2014 and 2024, India's export basket has gradually shifted towards higher technology intensity, although lower-end technology continues to dominate its basket. Low-technology exports grew marginally at a CAGR of 1.4%, but their share in India's export mix declined from 28.5% to 23.5%, reflecting a relative stagnation compared to global trends. Medium-low-technology exports also saw muted growth at 1.4% CAGR, underperforming global growth (1.3%) and losing export intensity. In contrast, India made strong progress in medium-high and high-technology exports. Medium-high-tech exports grew at 5.8% annually, and high-tech exports surged at 10.6% CAGR, outpacing global growth in these segments, leading to increased export intensity ratios.

This structural shift indicates a moderate but rising diversification of India's export base towards more sophisticated sectors, which aligns better with global trends. However, it still trails global averages in high-tech export intensity. (Table 2)

Table 2: Export Intensity by Technology Level: Comparisons and Growth Trends

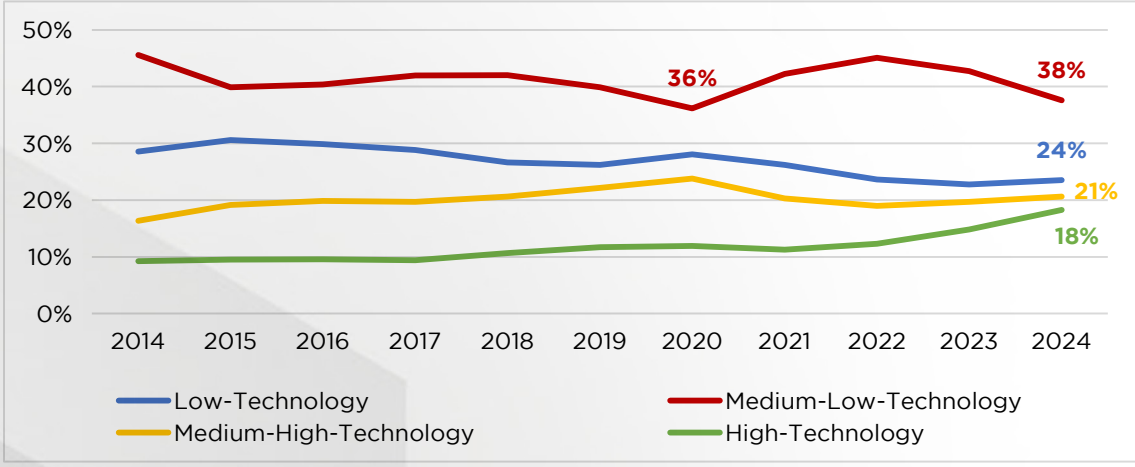
	2014			2024			2014-2024	
Export Technology Intensity	India's Export Intensity	World's Export Intensity	World Demand Catered by India	India's Export Intensity	World's Export Intensity	World Demand Catered by India	CAGR (India)	CAGR (World)
Low-Technology	28.5% ($90.6)	18.2% ($3417.4)	2.65%	23.5% ($140.0)	17.7% ($4235.9)	2.46%	1.4%	2.2%
Medium-Low-Technology	45.5% ($144.6)	34.5% ($6496.1)	2.23%	37.6% ($165.9)	31% ($7411.9)	2.24%	1.4%	1.3%
Medium-High-Technology	16.3% ($51.9)	19.4% ($3658.9)	1.42%	20.6% ($91.1)	20.8% ($4967.0)	1.83%	5.8%	3.1%
High-Technology	9.3% ($29.41)	25.7% ($4836.6)	0.61%	18.3% ($80.6)	28.5% ($5809.1)	1.18%	10.6%	3.5%

Note: Volume of exports is mentioned in brackets and is denoted in $ billion

Source: Authors Calculation & ITC Trade Map

High Technology Exports: India's high technology exports have witnessed a strong CAGR of 10.6% during the period, with exports touching $80.6 billion, a doubling of intensity since 2014. Arms and ammunition and electrical machinery witnessed the strongest CAGR in the category, growing from ~23% and ~16% respectively. Notably, photographic and cinematographic goods experienced a ~4% CAGR decline during the period. Electrical machinery and parts have emerged as this category's major high-technology export item, accounting for 50% of exports in 2024. In contrast, in 2014, the leading chapter was nuclear reactors and boilers, commanding a share of ~46%.

Figure 15: India's Technology Export Intensity (2014-2024)



Source: Authors Calculation and ITC Trade Map

Medium-High Technology Exports: This category has also witnessed a strong CAGR of ~6% during this period for India, with the share rising in this category for nine chapters and declining for two namely – vehicles other than railways (28% to 24%)

and ships, boats and other floating structures (9% to 5%). Pharmaceutical products continue to dominate this category, accounting for the largest share of exports at 25.6%. Strongest growth in this category was experienced in the inorganic chemicals and railways, tramway locomotives of ~10%.

7. India's Export of Digitally Delivered Services (DDS)

India's DDS exports have emerged as a major growth engine, driving the country's shift toward a services-led export model. Since 2018, India has consistently outpaced global DDS export growth, becoming the world's fifth-largest exporter in 2024 with $269 billion in exports—more than double the level a decade ago. Between 2015 and 2024, India's DDS exports nearly tripled, far outpacing merchandise and overall services exports. This reflects a structural shift toward digital trade, driven by rising global demand for IT and remote services.

Figure 16 A: Export Growth: Merchandise, Services & DDS

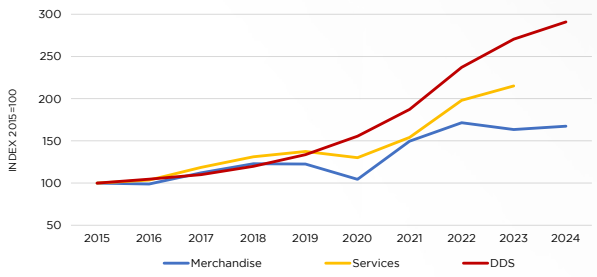
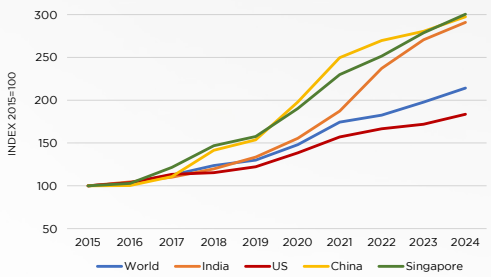


Figure 16 B: Growth Comparison of DDS Exports



Source: Authors Calculation and WTO

DDS includes IT services, BPO, financial, telecom, and professional services delivered remotely. Globally in 2024, "Other Business Services" accounted for 40% of DDS exports, followed by "Computer Services" (21%) and "Financial Services" (17%). India's export profile is similarly concentrated, with "Other Business Services" making up ~53% and "Computer Services" ~39% of total DDS exports. India holds a global share of 10.8% in Computer Services and 7.7% in Other Business Services.

While developed countries continue to dominate trade in DDS, the share of developing countries has increased from 19% in 2010 to 24% in 2022, with China accounting for a significant portion.[10] According to WTO, global exports of DDS reached $4.6 trillion in 2024[11], with developing countries cumulatively surpassing the $1 trillion mark for the first time.[12] The OECD's Digital Services Trade Restrictiveness Index (STRI) shows that, by 2024, India had implemented one of the highest numbers of liberalising reforms, supporting its strong export performance. However, its score is relatively higher than the average of other countries,[13] indicating the need to further reduce restrictions.[14]

10 https://unctad.org/news/digitally-deliverable-services-boom-risks-leaving-least-developed-countries-behind

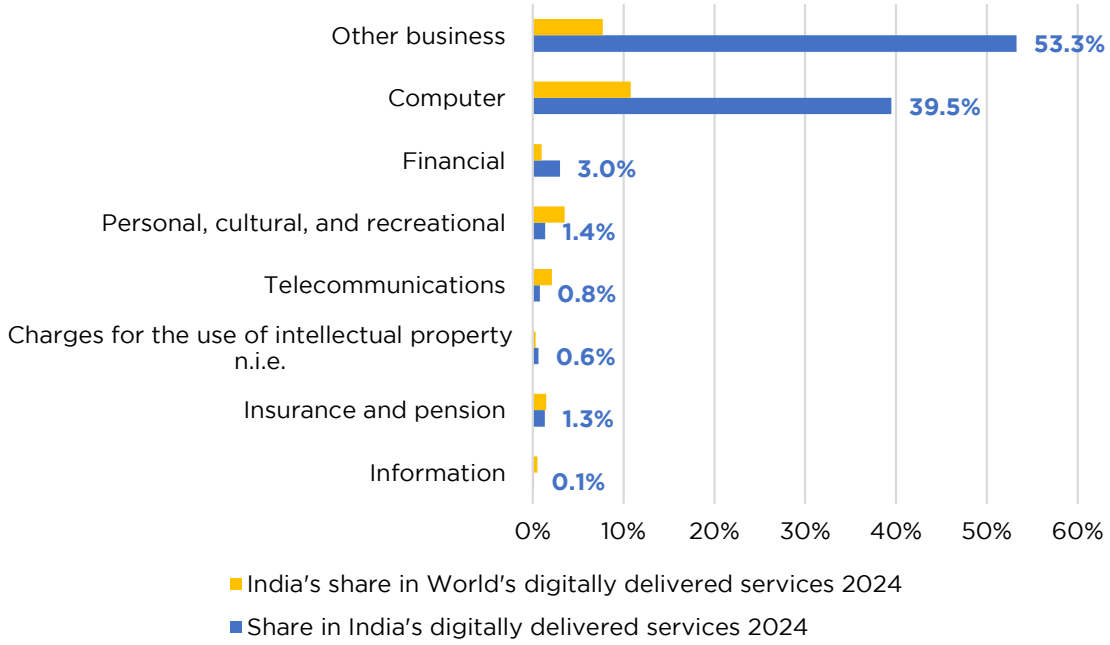
11 https://www.wto.org/english/res_e/statis_e/gstdh_digital_services_e.htm

12 https://unctad.org/news/developing-economies-surpass-1-trillion-mark-digitally-deliverable-services-exports

13 The OECD average for STRI (2024) stands at 0.19 with US at 0.17, China at 0.23, Singapore at 0.22 and India at 0.29

14 https://www.oecd.org/en/publications/oecd-services-trade-restrictiveness-index_9953845b-en.html

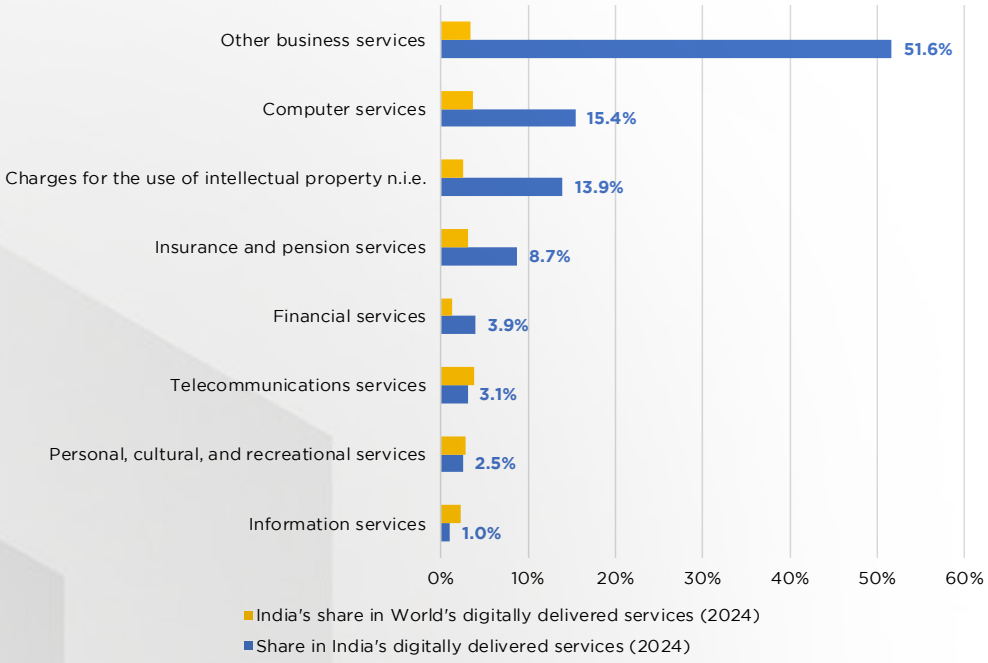
Figure 17: Export of Digitally Delivered Services 2024



Source: Authors' Calculation and WTO

As per WTO estimates, India's imports of DDS have steadily increased over the years, reaching $116.9 billion in 2024, up from $41.4 billion in 2015. This reflects the expanding role of digital services in supporting various sectors of the economy. India's demand is also led by Other Business Services (51.6%), with growing imports of Computer Services (15.4%) and IP-related charges (13.9%), reflecting rising needs for digital infrastructure and technical know-how.

Figure 18: Imports of Digitally Delivered Services 2024



Source: Authors Calculation and WTO

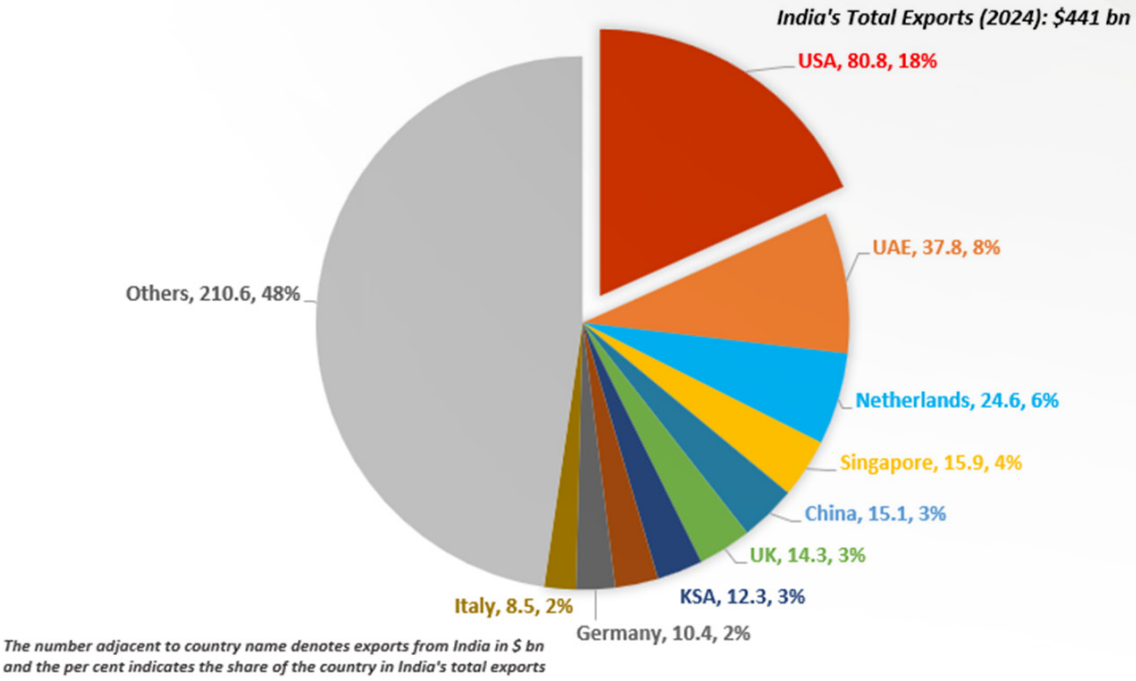
To support the continued growth of digitally delivered services (DDS) exports, few focused policy measures include easing regulatory barriers, particularly around cross-border data flows, and clarity in digital trade rules. Strengthening digital skills, encouraging investment in domestic R&D and exploring digital trade provisions in future FTAs may also help expand market access. In addition, setting up a Digital Export Promotion Council could assist smaller firms in reaching new markets, while facilitating responsible access to imported digital services can support innovation and domestic capacity-building

B.
THEMATIC ANALYSIS: US TRADE POLICY AND ITS IMPLICATIONS ON INDIA

B. Thematic Analysis: US Trade Policy and Its Implications on India

Exports have been a key driver of India's economic growth and market share expansion. Between 1995 and 2018, India's total exports grew at an average annual rate of 13.4%, nearly double the global average, with manufacturing exports rising by 12.1%. This strong export performance contributed to gains in per capita GDP, with India's global GDP rank improving from 11th in 1995–2001 to 4th in 2002–2011 among 72 major non-oil economies. Exports have thus been a key driver of India's economic growth and market share expansion.[15]

Figure 19: India's top 10 Export Destinations, 2024



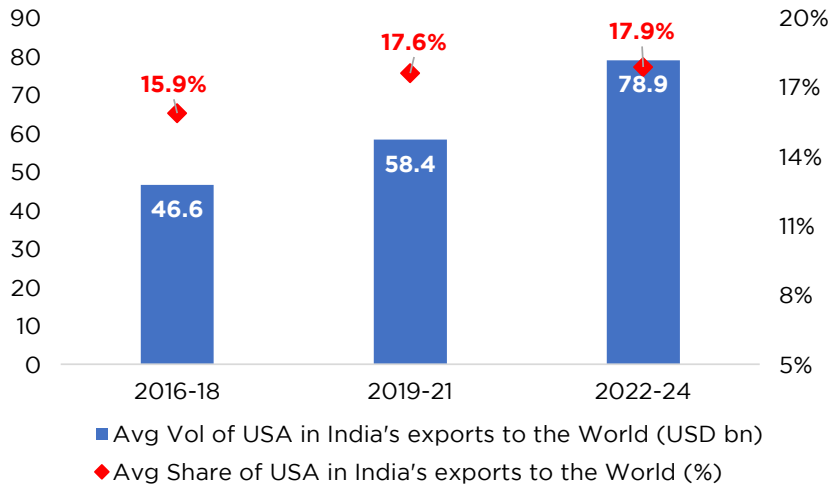
Source: ITC Trade Map

India's export landscape has transformed since the 1990s, marked by diversification in both product composition and destination markets. While countries like the Netherlands have seen a rise in exports from India, the US and the UAE have consistently remained India's top export destinations since the early 2010s.

In 2024, India's bilateral trade (merchandize) with the US reached USD 123.8 billion, with a trade surplus of USD 37.7 billion for India. The US remains India's largest export market, accounting for 18.3% of total exports. From 2016 to 2024, India's exports to the US grew at a 7.5% CAGR, surpassing the global export growth rate. Despite global disruptions, including the pandemic, exports to the US nearly doubled from USD 42.7 billion in 2014 to USD 80.8 billion in 2024, highlighting the US's strategic importance to India's export growth.

15 https://dp.ashoka.edu.in/ash/wpaper/paper42_0.pdf

Figure 20: India-US Merchandize Exports Triennium (2016-2024)



Source: ITC Trade Map

Between 2022-24, India's exports to the United States were dominated by high-value sectors such as electrical machinery (HS 85), pharmaceuticals (HS 30), precious stones and metals (HS 71), and mechanical appliances (HS 84), which together accounted for ~43.5% of the total. In contrast, India's global exports were led by mineral fuels (HS 27), comprising ~20% of the total.

Figure 21: Composition of India's Export to US, 2022-24

Figure 22: Composition of India's Export to World, 2022-24

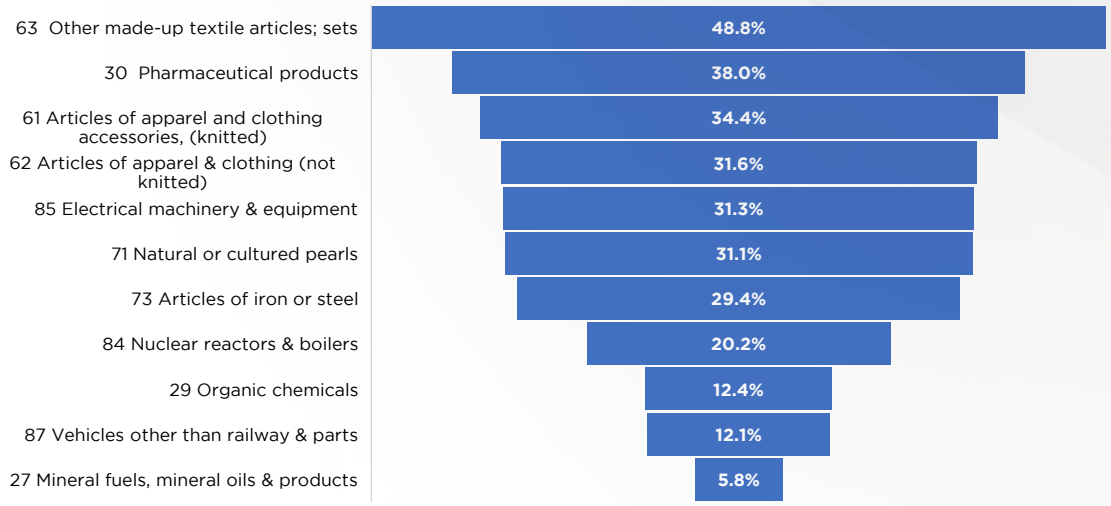
Note: Figures represent share in the average export volumes over the specified period

Source: ITC Trade Map

HS 10 *Cereals*	***HS 71*** *Natural/Cultured Pearls*
HS 27 *Mineral Fuels, Mineral Oils and Products of Their Distillation*	***HS 72*** *Iron and Steel*
HS 29 *Organic Chemicals*	***HS 73*** *Articles of Iron or Steel*
HS 30 *Pharmaceutical Products*	***HS 84*** *(Machinery, Mechanical Appliances, Boilers; Parts Thereof)*
HS 62 *Articles of Apparel and Clothing, Not Knitted or Crocheted*	***HS 85*** *Electrical Machinery and Equipment;*
HS 63 *Other Made-Up Textile Articles*	

The US is a key market for several of India's high-value and labour-intensive exports, absorbing a significant share of global shipments in select categories. In 2024, the US accounted for over 30% of India's global exports in electrical machinery (HS 85), gems and jewellery (HS 71), and pharmaceuticals (HS 30). Notably, labour-intensive sectors such as apparel (HS 61, 62) and made-up textiles (HS 63) also recorded a high US share—ranging from 31% to nearly 49%—underscoring the strategic importance of the US as both a scale and value-driven market for India's export basket.

Figure 23: India's Exports to the US as % of Total Exports to the World



Source: ITC Trade Map

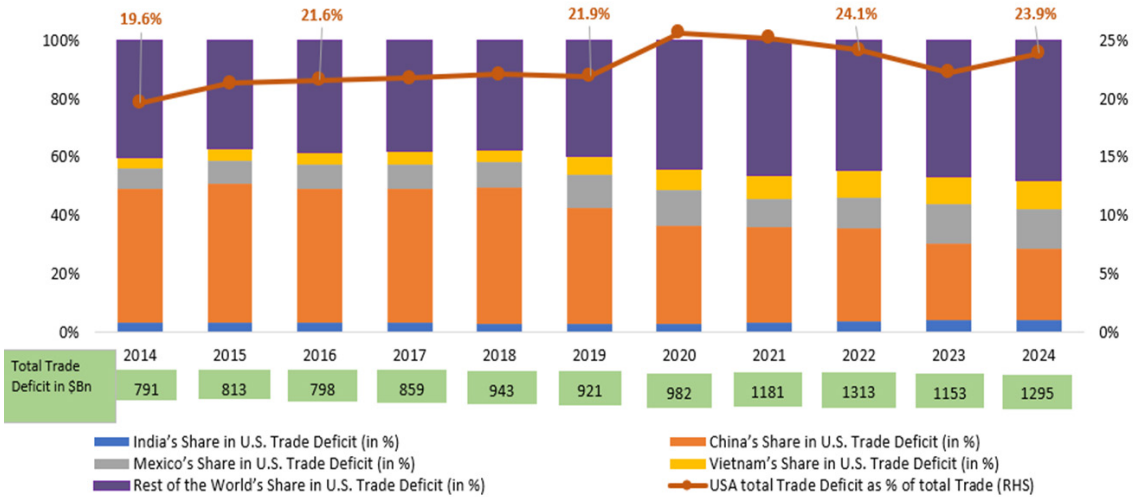
Overall, the United States has emerged as a central pillar in India's export strategy, accounting for nearly one-fifth of total exports and offering deep market access across high-value and labour-intensive sectors. The diversity of India's export basket from advanced electronics and pharmaceuticals to textiles and apparel, reflects the maturity and potential of this bilateral trade relationship. With the shared objective of reaching USD 500 billion in bilateral trade by 2030[16] and ongoing efforts toward a comprehensive Bilateral Trade Agreement, the India-US trade corridor is poised for further expansion. While the US-India defence partnership has flourished, the bilateral economic relationship is also deepening through growing trade and investment ties.

Global Trade: A Critical Engine Under Strain

The persistent and widening US trade deficit was a key precursor to the tariffs introduced in April 2025. Over the past decade, the composition of the deficit has shifted notably: China holds a significant share, though declining from 47.8% in 2015 to 24.6% in 2024, while Vietnam's rose from 3.3% to 10% and Mexico's from 7.2% to 13.6%. India's share remained modest, averaging 3.2% over the last ten years.

16 https://pib.gov.in/PressReleasePage.aspx?PRID=2116613

Figure 24: Composition and Trend of US Trade Deficit USD Billion (2014-2024)



Note: Rest of the world excludes trade deficit of India, China, Mexico, Vietnam and Canada

Source: ITC Trade Map

The proposed U.S. tariffs in 2025 could impact trade flows, including a 10% baseline tariff on all imports and higher tariffs on specific sectors. The WTO reports that new import-restrictive measures covered $611 billion (not cumulative) in global trade for Oct 2023- Oct 2024 alone. These global challenges are intensified by a growing trend toward economic fragmentation and increasing unpredictability in trade policies.

The ripple effects extend across both advanced and emerging economies. The World Trade Organisation (WTO) projects a contraction of 0.2% in global merchandise trade in 2025, reversing the modest 2.9% growth recorded in 2024. Trade policy uncertainty has reached historic highs, as noted by the Economic Policy Uncertainty Index, which in early 2025 surpassed peaks last seen during the 2008 financial crisis and the COVID-19 pandemic. The OECD's Trade Policy Uncertainty (TPU) Index, which measures the frequency of articles discussing trade policy uncertainty, also reached record highs in early 2025, indicating heightened concerns over trade policy unpredictability. UNCTAD forecasts global GDP growth at just 2.3% in 2025, below the 2.5% threshold typically associated with a worldwide recession, reflecting eroded investor confidence and deferred business investment. Simultaneously, global value chains (GVCs) are being reconfigured. The trend toward "Friendshoring" and "Reshoring" prompted by the pandemic and escalating geopolitical risk has shifted investment away from China to Southeast Asia, Mexico, and Eastern Europe.

Despite several headwinds, global trade remains essential. For developed economies, it drives innovation, efficiency, and access to diverse markets. For developing countries, trade offers critical opportunities for growth, income convergence, and integration into global value chains. Countries such as India may gain export share through trade diversion, benefiting from the restructuring of global supply chains. However, persistent fragmentation threatens to undermine these benefits. The urgent priority is strengthening multilateral cooperation, reducing uncertainty, and building more inclusive, resilient trade systems—failure to do so risks reversing decades of progress in global development and integration.

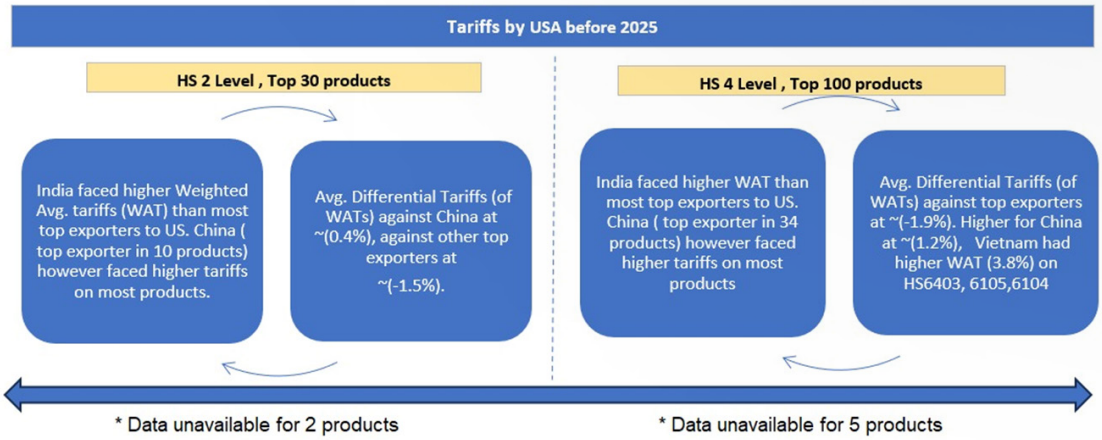
1. Impact of the Current US Tariffs on India

Prior to realignment of tariff in 2025, an assessment of US tariffs on Indian exports indicates that while India faced slightly higher Weighted Average Tariff (calculated as per WITS 2022 applied tariff rates) compared to other top global exporters, these differences were relatively marginal and often reflective of product-specific trade dynamics. At the HS 2 level, covering the top 30 traded product categories, India did experience moderately higher average tariffs than many of its peers. However, it is essential to note that China, the leading supplier in 10 of these 30 categories, consistently faced higher tariff barriers across most of its top exports.

The trend remained consistent at the more detailed HS 4 level, with India encountering a weighted average tariff approximately 1.9% higher than the average faced by other major exporters. China faced higher tariffs in most categories, while Vietnam also faced higher tariffs in select segments, including HS6403 (footwear), HS6105 (men's shirts), and HS6104 (women's suits).

Figure 25: Tariff by the USA before 2025

Differential Tariff= Tariff on Competitor-Tariff on India



Assumptions for the analysis

- The US has imposed a 10% additional baseline tariff[17] on imports from all countries except Mexico and Canada. Further, the latest tariff imposed on other countries as on 10th July' 2025 have been considered.
- Imports from Mexico and Canada are subject to a higher tariff of 25%[18] and 35% respectively, while imports from China face an additional higher tariff of 30% (20%: tariffs imposed in February'25[19] +10%: baseline tariff).

17 https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/

18 https://www.whitehouse.gov/fact-sheets/2025/03/fact-sheet-president-donald-j-trump-proceeds-with-tariffs-on-imports-from-canada-and-mexico/

19 https://www.whitehouse.gov/presidential-actions/2025/03/further-amendment-to-duties-addressing-the-synthetic-opioid-supply-chain-in-the-peoples-republic-of-china/

- In the analysis, products receiving differential treatment are categorized accordingly:
  - ◊ Electrical machinery (HS 85), Natural, cultured pearls and diamonds (HS 71) and Plastics and articles thereof (HS 39) face a tariff of 10%, with exemptions applied at the HS 4 level as only few categories are exempted.[20]
  - ◊ Organic Chemicals (HS 29), Pharmaceutical products (HS 30) and Mineral fuels and their products (HS 27) are exempted from tariff both at HS 2 and HS 4 level as large number of categories are exempted.
  - ◊ Vehicles and parts thereof (HS 87) face a tariff of 25% under Section 232.[21]
  - ◊ Steel[22] and aluminum[23] (classified under HS 73, HS 76) are subject to existing tariffs of 50% under Section 232.

i. **Snapshot of the Analysis:** The table below provides an analysis of India's export performance (to the US) at two levels—HS 2 and HS 4. At the HS 2 level, 91.4% of India's total exports to the US are analysed, with India expected to gain in 22 out of 30 products analyzed, corresponding to a substantial gain with 61% of exports to the US. These products also represent 68% share in total US imports, indicating high importance in global trade. Meanwhile, HS 4-level analysis offers a more granular view, identifying 78 products with potential gains, with the share of these exports to the US (where India can gain) at 52%. The data suggests strong growth opportunities in targeted product categories while highlighting areas where India's export status is expected to remain unchanged. (Table 3)

Table 3: Analysis at HS 2 and HS 4 level

HS Codes	No of Products Analyzed*	% Share in India's Total Exports to US	Products where India will Gain	% Share of Exports to US where India will Gain	% Share of product in total US imports	Products where Status Quo remains	% Share of Exports to US where Status Quo remains
HS 2	30	91.4% (73.9 USD Billion)	22	61% (49.3 USD Billion)	68% (2285.2 USD Billion)	6	32.8% (26.5 USD Billion)
HS 4	100	82% (66 USD Billion)	78	52% (42 USD Billion)	26% (873 USD Billion)	17	28% (22 USD Billion)

**Data was not available for 2 HS2 products and 5 HS4 products*

20 https://www.whitehouse.gov/presidential-actions/2025/04/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and-persistent-annual-united-states-goods-trade-deficits/
21 https://www.whitehouse.gov/presidential-actions/2025/04/amendments-to-adjusting-imports-of-automobiles-and-automobile-parts-into-the-united-states/
22 https://www.federalregister.gov/documents/2025/02/18/2025-02833/adjusting-imports-of-steel-into-the-united-states
23 https://www.federalregister.gov/documents/2025/02/18/2025-02832/adjusting-imports-of-aluminum-into-the-united-states

ii. **Analysis of Differential Tariff:** India maintains a relatively strong and competitive position in the US market despite facing marginally higher tariffs.

Analysing the top 30 product categories at the HS 2 level reveals insights into India's tariff positioning in the US market. Tariffs on the competitors are higher than India's in 22 out of these top 30 products. In 6 of the top 30 categories, India faces slightly higher average tariffs, up to 3%, than other leading exporters with majority of them with marginally higher between 0-2%. These specific product categories account for over 12% of total US imports, underscoring the scale of opportunity available for Indian exporters. Additionally, these differences are modest and present a strategic opportunity for India to engage in targeted negotiations with the United States. (Table 4)

More notably, India enjoys a competitive edge over China in several key sectors. The average tariff differential between Indian and Chinese exports is 20.5% in India's favour. By leveraging its comparatively lower tariff burden, especially in contrast to China, India is well-positioned to gain market share.

Table 4: Tariff difference at HS 2 for Top 30 products (covering 91% of India's Exports to the US) between Competitor and India

Scenario 1: Tariff Applied on India is higher than competitor				Scenario 2: Tariff Applied on competitor is higher than India			
Particulars (Tariff difference between Competitor and India)	No. of products	% Share in India's total exports to US	% share of the product in total US imports	Particulars (Tariff difference between Competitor and India)	No. of products	% Share in India's total exports to US	% share of the product in total US imports
0-1%	1	11.0%	6.0%	0-20%	7	32.0%	40.0%
1-2%	4	16.9%	6.0%	>20%	15	28.9%	28.0%
2-3%	1	1.5%	0.0%	-	-	-	-
Total	6	29.4%(23.7 USD bn)	12%(424 USD bn)		22	61%(49.3 USD bn)	68%(2285.2 USD bn)

Source: ITC Trade Map

An analysis of tariff data at the HS 4 level across the top 100 products reveals that in 80 products, competitors face higher tariffs than India. These products represent a significant portion of India's export basket to the US and total US imports, highlighting substantial opportunities for India to expand its market presence. Even in scenarios where India faces higher tariffs, the tariff differential is minimal, typically less than 1%, in products that accounts for 24.5% of India's exports to the US This narrow gap reduces the competitive disadvantage and reinforces India's favourable positioning, especially as major exporters like China continue to face higher trade barriers. (Table 5)

Table 5: Tariff difference at HS 4 for Top 100 products (covering 82% of India's Exports to the US) between Competitor and India

Scenario 1: Tariff Applied on India is higher than competitor				Scenario 2: Tariff Applied on competitor is higher than India			
Particulars (Tariff difference between Competitor and India)	No. of products	% Share in India's total exports to US	% share of the product in total US imports	Particulars (Tariff difference between Competitor and India)	No. of products	% Share in India's total exports to US	% share of the product in total US imports
0-1%	8	24.5%	5.2%	0-15%	28	10.3%	9.0%
1-2%	0	0.0%	0.0%	15-25%	44	70.9%	29.0%
2-3%	1	0.3%	0.04%	>25%	8	7.7%	2.3%
>3%	6	2.2%	0.6%	-	-	-	-
Total	15	27.04%	5.79%		80	88.95%	40.32%

Source: ITC Trade Map

iii. Top HS 2 products analysis where India will gain competitiveness

China, Canada, and Mexico are the leading exporters to the US in these categories; therefore, higher tariffs on these countries will improve India's competitiveness. For the top 10 products, the tariff differential of the competing countries against India is higher on the competitor at an average rate of 19.6%. Despite some categories having a smaller current footprint, the imposed tariff disadvantages on competitors allow India to expand exports. (Table 6)

Table 6: Top HS 2 products where India will gain competitiveness

Tariff Differential= Tariff on Competitor-Tariff on India

HS2 Chapter	Product Label	Top Exporting Country to US	Tariff Differential	Top Country's total exports to US of the product (USD billion)	Top Country's % Share in Total US Import	India's total exports to the US of the product (USD billion)	India's % Share in Total US Import	% Share of the product in total import of US	% Share in India's Total Exports to US
								3,359 USD billion (Total-All)	81 Billion (Total - to US)
'85	Electrical machinery & equipment & parts	China	19.3%	127.1	26%	12.6	2.6%	14%	15.6%
'84	Nuclear reactors, boilers, machinery & parts	Mexico	13.7%	105.8	20%	6.6	1.2%	16%	8.1%
'27	Mineral fuels, mineral oils & products	Canada	29.8%	131.0	52%	4.4	1.8%	7%	5.5%

HS2 Chapter	Product Label	Top Exporting Country to US	Tariff Differential	Top Country's total exports to US of the product (USD billion)	Top Country's % Share in Total US Import	India's total exports to the US of the product (USD billion)	India's % Share in Total US Import	% Share of the product in total import of US	% Share in India's Total Exports to US
'73	Articles of iron or steel	China	20.3%	13.2	25%	3.0	5.6%	2%	3.7%
'63	Other made-up textile articles	China	22.1%	9.4	52%	2.9	16.3%	1%	3.6%
'87	Vehicles other than railway & parts	Mexico	23.9%	137.2	35%	2.7	0.7%	12%	3.3%
'62	Articles of apparel & clothing accessories (not knitted)	China	19.8%	7.8	21%	2.6	7.1%	1%	3.2%
'61	Articles of apparel & clothing accessories (knitted)	China	21.5%	10.6	22%	2.6	5.5%	1%	3.2%
'03	Fish & crustaceans & other aquatic invertebrates	Canada	24.9%	3.4	16%	2.0	9.4%	1%	2.4%
'39	Plastics & articles thereof	China	19.9%	21.5	28%	1.6	2.1%	2%	2.0%
Total			**19.6 (Average)**			**40.9**		**57%**	**50.7%**

Source: ITC Trade Map

iv. Top HS 2 products analysis where India's competitiveness may be unchanged

Out of the top 30 products analysed, 6 have higher tariffs for India than the competitor/top exporter. Even after the tariffs, India remains competitive mainly across these products, as shown below. The competitors vary for these sectors. They are characterized by minimal or negative tariff differentials, with an average tariff disadvantage of 1%, suggesting further scope for tariff-led export growth. Collectively, these product categories account for 12.6% of total US imports of the goods and represent 29.3% of India's total exports to the US, underscoring their strategic importance.

India has established strong market positions in select segments, such as carpets, textile floor coverings, and pearls, reflecting historical strength and brand value. Though tariff incentives are absent, these sectors offer further growth potential, provided India enhances its competitiveness through other means. India's

future export strategy in these sectors must also capture non-tariff levers such as innovation, quality upgradation, value addition, and deeper bilateral trade engagements to maintain and enhance its market share. (Table 7)

Table 7: Top HS 2 products where India's competitiveness will remain unchanged

Tariff Differential= Tariff on Competitor-Tariff on India

HS2 Chapter	Product Label	Top Exporting Country to US	Tariff Differential	Top Country's total exports to US of the product (USD billion)	Top Country's % Share in Total US Import	India's total exports to the US of the product (USD billion)	India's % Share in Total US Import	% Share of the product in total import of US	% Share in India's Total Exports to US
'71	Natural or cultured pearls, precious or semi-precious stones	Switzerland	-1.7%	15.0	17%	9.3	10.4%	2.7%	11.5%
30*	Pharmaceutical products	Ireland	0.0%	50.3	24%	8.9	4.2%	6.3%	11.0%
'29	Organic chemicals	Ireland	-1.1%	25.7	36%	2.6	3.7%	2.1%	3.2%
'38	Miscellaneous chemical products	Germany	-1.3%	3.3	14%	1.3	5.2%	0.7%	1.6%
'57	Carpets & other textile floor coverings	Türkiye	-2.9%	0.9	24%	1.2	33.0%	0.1%	1.5%
'33	Essential oils & resinoids; perfumery	France	-1.4%	4.4	19%	0.5	2.1%	0.7%	0.6%
Total			**1 (Average)**			**23.7**		**12.6%**	**29.3%**

*Note: * Tariff differential is 0 as these chapters have been exempted from tariffs (refer to assumptions)*

Source: ITC Trade Map

v. Top HS 4 products analysis where India will gain competitiveness

Out of the top 100 products analysed at the HS 4-digit level, 78 products, representing 52% of India's total exports to the US and accounting for a 26% share in total US imports, are expected to see improved competitiveness for India. Of these 78 products, China is the top exporter to the US in 34 products. Although India's share in these product categories is smaller than China's, this gives India a huge opportunity in the US market. The table below highlights key product categories at the HS4 level where India demonstrates a strong export presence in the US market and benefits from a favourable tariff differential relative to major competitors. These product lines account for 22% of India's total exports to the US, with an export value of USD 17.66 billion. High tariff differentials, particularly in sectors such as 63 (Other made-up textile articles), 85 (Electrical machinery and equipment) and 84 (Nuclear reactors, machinery & parts), where competitors face higher tariffs, present India with opportunities to strengthen its market position. India's sizeable export share underscores its competitiveness in strategically important segments even in categories where the tariff gaps are more moderate. (Table 8)

Table 8 : Top HS 4 products where India will gain competitiveness

Tariff Differential= Tariff on Competitor-Tariff on India

HS4 Chapter	Product Label	Top Exporting Country to US	Tariff Differential (Competitor vs India)	Top country's total exports to the US of the product (USD billion)	Top Country's % Share in Total US Import	India's total exports to the US of the product (USD billion)	India's % Share in Total US Import	% Share of the product in total import of US	% Share in India's Total Exports to US
85 (Electrical machinery and equipment)									
8517	Telephone sets, incl. smartphones and other	China	20.0%	51.5	45%	7.32	6.4%	3.0%	9.1%
8541*	Semiconductor devices	Vietnam	0.0%	5.8	25%	1.52	6.6%	1.0%	1.9%
84 (Nuclear reactors, machinery & parts)									
8483	Transmission shafts	China	20.6%	1.42	12.5%	1.04	9.1%	0.3%	1.3%
8411	Turbojets, turbopropellers and other gas turbines	Canada	24.9%	6.13	19.8%	0.73	2.4%	0.9%	0.9%
27 (Mineral fuels)									
2710	Petroleum oils	Canada	29.2%	12.9	22.0%	4.25	7.3%	1.7%	5.3%
73 (Articles of Iron and steel)									
7308	Structures and parts of structures	Mexico	25%	1.7	18%	0.69	7.5%	0.9%	0.9%
7307	Tube or pipe fittings	China	5.2%	0.7	20%	0.52	15.6%	0.1%	0.6%
63 (Other made-up textile articles)									
6302	Bedlinen, table linen, toilet linen and kitchen linen	China	21.0%	2.14	34%	1.30	20.9%	0.2%	1.6%
6305	Sacks and bags	China	19.9%	0.11	15%	0.28	37.4%	0.02%	0.3%
Total			**18.4% (Average)**	**82.39**		**17.66**		**8.2%**	**22.0%**

*Note: * Tariff differential is 0 as these categories have been exempted from tariffs (refer to assumptions)*

Source: ITC Trade Map

vi. Top HS 4 products analysis where India's competitiveness will remain unchanged

For 17 products, out of the top 100, (accounting for 28% of India's exports to the US and having 6.2% share in total US imports, India's competitiveness may remain unchanged due to minimal/ no change in the tariff differential between India and the top exporter.

The table below highlights top product categories where India faces minimal or no tariff disadvantage compared to key competitors, with an average tariff differential of just 1.2%. These 7 together account for USD 18.5 billion in India's exports to the US, representing 23.1% of India's total exports to the market. India has secured a strong export share in some segments, especially in pharmaceuticals, diamonds and other jewellery articles. These sectors reflect entrenched competitiveness, driven by quality, pricing, and supply chain integration rather than tariff advantages. (Table 9))

Table 9: Top HS 4 products where India's competitiveness will remain unchanged

Tariff Differential= Tariff on Competitor-Tariff on India

HS4 Chapter	Product Label	Top Exporting Country to US	Tariff Differential (Competitor vs India)	Top country's total exports to the US of the product (USD billion)	Top Country's % Share in Total US Import	India's total exports to the US of the product (USD billion)	India's % Share in Total US Import	% Share of the product in total import of US	% Share in India's Total Exports to US
71 (Natural or cultured pearls)									
7102	Diamonds, whether or not worked	Israel	0.0%	3.97	25.8%	4.85	31.8%	0.5%	6.0%
7113	Articles of jewellery and parts thereof	France	-0.2%	1.87	12.8%	3.45	23.9%	0.4%	4.3%
HS 30 (Pharmaceutical Products)									
3004*	Medicaments consisting of mixed/ unmixed products	Switzerland	0.0%	11.94	12.5%	8.51	9.1%	2.8%	10.6%
29 (Organic Chemicals)									
2933	Heterocyclic compounds with nitrogen hetero-atom[s]	Ireland	0.1%	5.42	43.6%	0.33	2.7%	0.4%	0.4%
2922	Oxygen-function amino-compounds	Singapore	-4.5%	0.6	30%	0.16	8.7%	0.1%	0.2%

HS4 Chapter	Product Label	Top Exporting Country to US	Tariff Differential (Competitor vs India)	Top country's total exports to the US of the product (USD billion)	Top Country's % Share in Total US Import	India's total exports to the US of the product (USD billion)	India's % Share in Total US Import	% Share of the product in total import of US	% Share in India's Total Exports to US
38(Miscellaneous chemical products)									
3808	Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth ...	Germany	-0.1%	0.28	17.6%	0.81	51.5%	0.1%	1.0%
57 (Carpets and other textile floor coverings)									
5702	Carpets and other textile floor coverings	Türkiye	-3.4%	0.78	46.2%	0.39	23.3%	0.1%	0.49%
Total			**1.2% (Average)**	**24.82**		**18.50**		**4.2%**	**23.1%**

*Note: * Tariff differential is 0 as these categories have been exempted from tariffs (refer to assumptions)*

Source: ITC Trade Map

2. Policy Measures for Boosting Merchandise Trade

i. Enhancing Export Competitiveness

- To support MSMEs and boost export competitiveness, the government could consider expanding Production-Linked Incentive (PLI) schemes to include labour-intensive sectors such as leather, footwear, furniture, and handicrafts. Currently, most PLI schemes are output-based and not explicitly linked to exports. A Quality Upgradation Fund could be established to incentivize MSMEs in meeting international quality benchmarks, certifications, and sustainability requirements.
- Rationalising electricity tariffs by reducing cross-subsidisation for industrial users and promoting renewable energy adoption could help lower operational costs and enhance the global competitiveness of Indian manufacturers.
- Deepening India's financial markets is key to improving MSME and startup credit access. This can be achieved by expanding funding sources, strengthening bond markets, integrating fintech, and enhancing credit guarantees. Promoting instruments like green and sustainability-linked bonds with targeted incentives will boost liquidity and lower borrowing costs.

ii. **Trade Facilitation and Market Access**

- To strengthen India's export ecosystem, several targeted measures can enhance efficiency and competitiveness. Improving the Authorised Economic Operator (AEO) Program through better inter-agency recognition, clearances, monitoring, and mutual recognition agreements will boost its adoption and impact. Extending deferred duty payment benefits beyond AEO clients to trusted MSMEs and regular importers under risk-managed criteria can reduce clearance delays and improve operational fluidity. Export incentive structures also require recalibration.
- Launching targeted schemes under the Export Promotion Mission, with flexible incentives and a more focused RoDTEP mechanism, can support SME competitiveness. Also, short-term credit measures, such as raising the interest equalization rate for MSME exporters to 5% for 12–18 months, would help ease liquidity pressures and sustain export momentum.
- Easing export bill compliance for small exporters, by reducing bank fees, simplifying documentation for shipments under $1000, and easing penalties, can lower transactional burdens for MSMEs with limited export volumes but strong compliance records.
- Building a digital-ready trade framework is essential for lowering transaction costs and enabling faster clearances. India should fast-track cross-border paperless trade systems with trusted partners, supported by clear regulations on digital transactions, data flows, and cybersecurity. Strengthening digital trade platforms and ensuring reliable digital customs infrastructure are key. The UNESCAP Framework and initiatives like the India-Korea Electronic Origin Data Exchange System (EODES) offer strong foundations, though full implementation requires resolving technical issues. Broader engagement through frameworks like Cross-border Paperless Trade in Asia and the Pacific (CPTA) can further scale up paperless trade.

iii. **Diversify Trade Partners and Agreements, and be part of bigger supply chains and production structures**

- India should focus on diversifying its trade partners and becoming integral to larger global supply chains and production networks. Fast-tracking free trade agreements, particularly the India-EU FTA, with a clear, time-bound negotiation roadmap, is essential. These agreements should prioritise the reduction of non-tariff barriers and facilitate smoother trade in services, a key strength for India. Simultaneously, deeper trade engagement with countries such as Australia, Japan, South Korea, and ASEAN nations can be highly beneficial, especially in sectors where India's export strengths, such as pharmaceuticals, automobiles, and IT, match their import needs. Additionally, pivoting towards African markets by developing a structured India-Africa trade corridor focused on pharmaceuticals, education services, IT, and cost-effective machinery will tap into the growing demand and expand India's export footprint into emerging regions.

iv. **Ease of Doing Business and Factor market reforms**

- Factor market reforms are essential for boosting investment and industrial competitiveness. The expedited release of Jan Vishwas 2.0 is also important, as it can streamline legal processes by reducing litigation time and costs, while introducing civil penalties and administrative actions for minor lapses to enhance regulatory efficiency.
- Restrictive building regulations, such as setbacks, mandatory parking, and limits on ground coverage, often result in factories losing over half their land, curbing efficient land use and vertical expansion. Reforming these rules would lower the cost of land and promote more productive industrial development.

3. Policy Measures for Boosting Services Trade

i. **Negotiate a Services-Focused FTA or Chapter:** Building on the model of the India–UK agreement, India should pursue a services-oriented trade deal with the US, placing strong emphasis on key sectors such as information technology, financial services, professional services, and education. The agreement should include robust provisions for digital trade, creating a framework for enhanced cross-border service delivery.

ii. **Ease Mobility and Visa Access:** India must advocate for improved visa access for its professionals, particularly under H-1B and L-1 categories. This should include provisions for intra-corporate transferees and independent service providers, which are crucial for maintaining India's competitive edge in the global services industry.

iii. **Expand Digital and Remote Service Access:** With growing global demand for DDS, India should seek firm market access commitments from the US in high-growth areas such as cybersecurity, artificial intelligence, telecom, and design services. Leveraging India's strengths in these sectors can help increase bilateral trade and innovation-led growth.

iv. **Licensing and Regulatory Compliance:** Regulatory barriers such as inconsistent data compliance and intellectual property concerns hinder Indian service exports. Joint efforts between India and the US are needed to simplify licensing procedures and address cross-border data flow issues, enabling smoother market access for Indian firms.

v. **Strengthen Mutual Recognition Agreements (MRAs):** To expand professional opportunities, India should push for broader MRAs that cover a wider range of professions, including engineers, architects, and healthcare workers. These agreements would streamline certification processes and facilitate the mobility of Indian professionals to the US.

vi. **Promote Innovation and Skill Development:** Investing in upskilling and technology adoption is essential to meet the evolving demands of the US services sector. India should focus on emerging domains such as digital health, fintech, cloud computing, and ed-tech, ensuring that its service offerings are competitive in quality, innovation, and price.

C.
POLICY AND GEOPOLITICAL HIGHLIGHTS

C. Policy and Geopolitical Highlights

1. Global Trade–Related Policy Updates for India's Major Partners

i. **United States:** In April 2025, the US introduced a baseline 10% tariff on all imports, with new tariffs on imports from countries such as Canada, Japan, South Korea, Malaysia, Thailand, and Brazil ranging between 20% to 50%. India's relatively low exposure created room for gains in key sectors like pharmaceuticals, electrical machinery, and textiles. Separately, India and the United States are engaging in negotiations for a Bilateral Trade Agreement (BTA), aiming to enhance market access and reduce trade barriers.

ii. **United Kingdom:** The India–UK Free Trade Agreement (FTA) was successfully concluded on May 6,2025 after 13 rounds of negotiations, marking a significant milestone in bilateral trade relations. The agreement eliminates tariffs on approximately 99% of Indian exports, with particular benefits for key sectors such as textiles, leather, and automotive components. The deal was widely celebrated in the UK Parliament, where it was hailed as a "landmark win" for both nations, reflecting its potential to boost trade volumes, job creation, and economic collaboration.

   In parallel, the UK's formal accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in December 2024 further strengthens the trade landscape. This development is expected to facilitate smoother integration of supply chains and grant Indian exporters indirect access to CPTPP member markets through third-party arrangements.

iii. **Australia:** India and Australia are advancing efforts to upgrade their interim Economic Cooperation and Trade Agreement (ECTA) into a full Comprehensive Economic Cooperation Agreement (CECA). Since its signing in April 2022, the ECTA has led to tariff removals on nearly all goods, setting a robust foundation for deeper integration. Negotiations are currently focusing on expanding cooperation in renewable energy components, digital services, and the removal of behind-the-border barriers, including non-tariff issues in agriculture, technical standards, and rules of origin.

2. India's Trade Policy Developments (Oct 2024–Jun 2025)

i. **Rice Export Liberalisation:** In March 2025, India lifted the remaining restrictions on 100% broken white rice exports, marking an important policy shift. This decision was driven by a strong rise in domestic buffer stocks, which reached 59.5 million tonnes. The surplus enabled India to resume as a key supplier to African and Asian markets, strengthening food security partnerships and supporting global rice availability after previous export curbs.

ii. Trade Agreements in the pipeline: India is advancing a broad set of trade and investment agreements to strengthen its global economic footprint. It is currently negotiating over seven Free Trade Agreements (FTAs), including with Oman, Peru, Sri Lanka, and Canada. These efforts aim to enhance market access, diversify export destinations, and deepen integration with key regions across the Gulf, Latin America, and North America. In parallel, India is also reassessing its Bilateral Investment Treaties (BITs) to improve investor protection and attract sustained capital inflows.

iii. A major milestone in this strategy was signing the Trade and Economic Partnership Agreement (TEPA) with the European Free Trade Association (EFTA) comprising Switzerland, Norway, Iceland, and Liechtenstein in March 2024. The pact, expected to come into force by September 2025, promises USD 100 billion in investments over 15 years, focused on manufacturing, innovation, and skill development. Recent updates indicate that Switzerland's ratification process will conclude by July 2025, after which full implementation will follow.

3. Geopolitical Developments

i. **Red Sea Crisis and India-Middle East-Europe Economic Corridor (IMEC) Momentum[24]:** Announced at the G20 Summit in 2023, the India-Middle East-Europe Economic Corridor (IMEC) has gained strategic importance as an alternative to China's Belt and Road Initiative. Connecting India to Europe via the UAE, Saudi Arabia, Jordan, and Israel, IMEC is designed to offer a reliable trade and energy route that reduces congestion in the Suez Canal while enhancing regional connectivity. Since late 2024, attacks on commercial vessels in the Red Sea have disrupted Suez Canal trade, accelerating interest in fast-tracking IMEC. India is expected to invest in freight infrastructure along this corridor, making IMEC a cornerstone of its long-term trade strategy and regional economic cooperation.

ii. **18th G20 Leaders' Summit – Brazil:** The 18th G20 Summit, held in Brazil in November 2024, underscored the need for collective action to ensure resilient global supply chains, especially in the wake of trade disruptions caused by geopolitical tensions. Brazil, as G20 chair and incoming BRICS president for 2025, positioned itself as a voice for the Global South, calling for inclusive trade policies, support for developing countries' digital trade readiness, and a global compact on de-risking supply chains. The summit also featured debates over the fragmentation of international trade governance, with sharp divergences over climate-linked trade measures and digital services taxation

iii. **G7 Summit 2025- Canada:** The 51st G7 Summit 2025 in Canada[25] is a key platform for India to engage with leading global economies, highlighting its growing influence. As a guest, India contributed to trade, climate, and security discussions, deepening ties with major trade and investment partners. The summit supported India's climate goals through talks on financing and technology transfer, while enhancing Indo-Pacific security and counter-terrorism cooperation. India's active role in digital governance discussions helped strengthen its digital economy in line with global standards and also led to the resumption of India-Canada FTA discussions.

4. Commodity Price Trends (Apr 2024–May 2025)

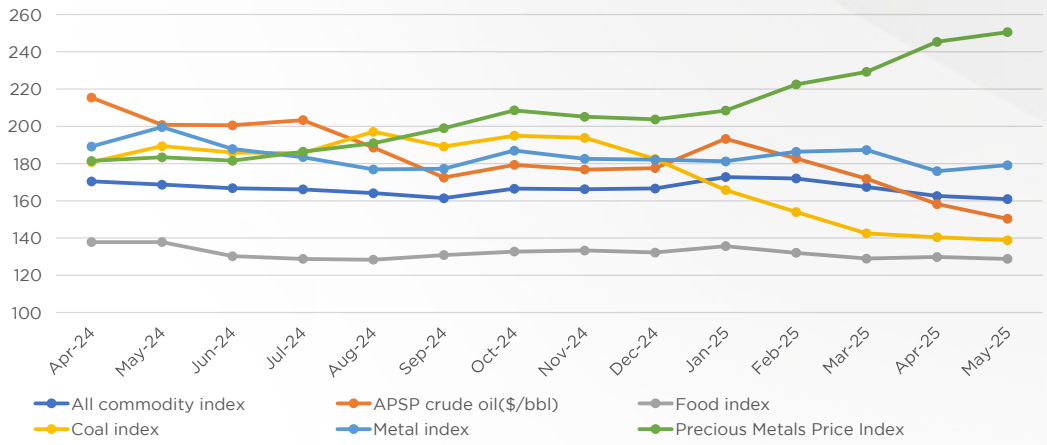
As 2025 commences, commodity markets are expected to confront a complex landscape shaped by geopolitical developments, economic policy shifts, and evolving demand patterns. For India and other emerging economies, these dynamics present challenges and opportunities, necessitating vigilant monitoring and adaptive strategies to manage trade implications effectively.

24 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2122299#:~:text=Highlighting%20its%20potential%20reach%2C%20Shri,energy%20infrastructure%2C%20including%20undersea%20cables.

25 https://www.pib.gov.in/PressReleasePage.aspx?PRID=2134644

According to the IMF Commodity Price Index data till May'25, commodity markets show divergent trends across key segments. The All-Commodity Index stood at 166.63 in Dec'24, a 4.5% increase from 159.53 in Dec'23. It, however, declined to 160.92 in May'25. The overall decline in the All-Commodity Index reflects broad-based easing in energy and metals markets, driven by increased global supply, weak industrial demand, and shifting macroeconomic conditions, including tighter monetary policy and slower-than-expected growth in major economies due to rising policy uncertainty.

Figure 26: Price indices across key commodity indices



Source: IMF

Crude oil Index has been declining in the past nine months, down from 179.28 in Oct'24 to 150.37 in May'25 per barrel, due to a mix of supply curb interventions and growing output from non-OPEC players. However, given the conflict in West Asia, it is expected to surge.

Coal Prices Index, though volatile during the period, ended May'25 at 138.87, reflecting a decline from 194.93 in October '24. After a temporary surge in October due to rising power sector demand in Asia driven by China and India, prices softened as inventory buffers improved and demand outlook weakened, with the energy transition gaining traction in developed and emerging markets alike.[26]

The Metals Price Index recorded a 4.7% decline year-on-year, from 191.04 in Dec'2023 to 182.08 in Dec'2024. It further declined to 179.14 in May'25. The decrease stemmed from weaker-than-expected demand from China's real estate sector with an exception for copper. Demand outside China also continued to remain subdued; however, the future outlook is positive because of the rising demand for clean technology, which has contributed to the rise in demand for some metals such as copper, tin, and nickel.[27]

In contrast, the Precious Metals Price Index rose sharply by 27.7% Year-on-year, from 159.54 to 203.73 in December '24, having touched record highs in October '2024. It reached 250.54 in May'25. The rally was fueled by gold purchases reaching a record high in October and platinum prices due to rising demand for gold during periods of uncertainty.[28]

26 https://blogs.worldbank.org/en/opendata/international-coal-price--higher-for-longer
27 https://blogs.worldbank.org/en/opendata/metal-prices-set-to-remain-high-in-2024-25
28 https://blogs.worldbank.org/en/opendata/precious-metals-surge-to-all-time-highs

D. APPENDIX

HS Codes Classification as per Technology Intensity
Low-Technology[29]: Agro-Based, Natural Resource & Traditional Manufactures This category captures the core sectors represented by HS Chapters 01-24 (agriculture, food and beverages), 32, 41-46 (animal products, leather, wood and related manufactures), 47-49 (paper and printed materials), and 50-58 (textiles and traditional fibres), reflecting a focus on primary products, resource-based goods, and traditional industries.
Medium-Low-Technology[30]: Industrial Materials, Base Metals & Consumer Manufactures This category captures the core sectors represented by HS Chapters 25-27 (minerals and fuels), 35, 36, 39 and 40 (industrial chemical derivatives), 66-71 (miscellaneous and mineral-based manufactures), 72- 83 (base metals and metal articles), and 91-96 (consumer and miscellaneous manufactured goods).
Medium-High-Technology[31]: Chemical Products, Transport Equipment & Precision Instruments This category captures the core sectors represented by HS Chapters 28-30, 31, 33-34, and 38 (chemical products), Chapters 86-87, and 89 (transport equipment), and Chapter 90 (precision instruments).
High-Technology[32]: Advanced Electronics, Machinery, Aerospace & Defense Equipment This category captures the core sectors represented by HS Chapters 37, 84, 85, 88, and 93.

29 Industries that use well-known, stable technologies. These don't need much R&D or highly skilled labour and often compete mainly on cost.
30 Industries with simpler technologies and less R&D, focused more on improving production processes. Often includes basic manufacturing sectors.
31 Industries that use complex machinery and tools, with a fair amount of R&D and skilled labour. They are common in areas like engineering and automotive.
32 Industries that use very advanced and fast-changing technologies. They rely heavily on R&D, skilled workers, and strong links with research institutions.

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Notes

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NITI Aayog