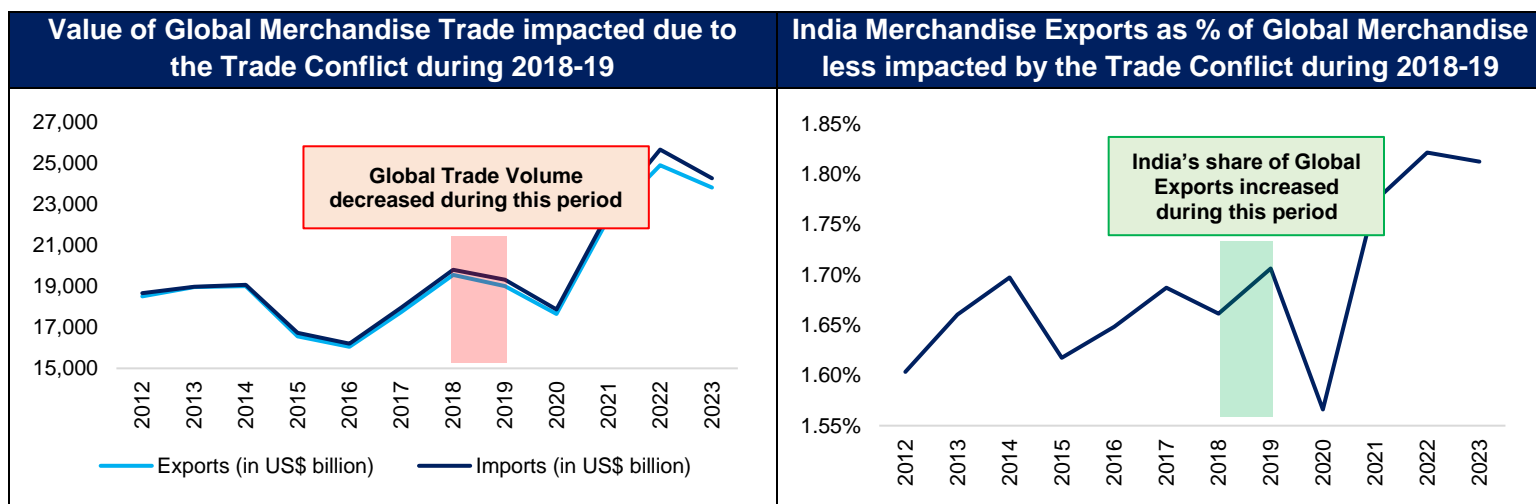


February 11, 2025

**Escalating Trade Conflict – Is India relatively well-placed?****What's the Point?**

Since the new administration of United States (US) took office on January 20, 2025, fears around the renewal of a trade conflict had been increasing. These fears became real after the US President signed multiple executive orders, one of them being, the implementation of a 25% additional tariff on imports from Canada and Mexico, and a 10% additional tariff on imports from China on February 01, 2025. With US being a net importer of Goods and Services from India, the discussion on the implication of US tariffs on trade with India holds significance. India's trade relations with the US have been positive, and escalating trade tensions with other trading partners offer India the opportunity to increase its dominance in global trade. As India's Prime Minister is set to meet the US President on February 12, 2025, it is expected that the Indian Government will strengthen its ties by offering tariff cuts that could benefit US exports, and help avert a possible trade conflict.

**Numbers signifying the Trade Conflict during 2018-19**

Source: World Trade Organization (WTO)

**A Brief Timeline of the Trade Conflict during 2018-19**

Tariffs imposed by US on China	Tariffs imposed by China on US
1) <b>March 2018:</b> US imposes tariffs on US imports of steel (25% tariff) and aluminium (10% tariff) products from certain countries, including China. announced tariffs of 25% on steel and 10% on aluminium imports. 2) <b>July 2018:</b> The US Administration imposed tariffs of 25% on US\$34 billion of selected imports from China citing concerns over China's policies on intellectual property, technology, and innovation. 3) <b>September 2018:</b> As per a Press Release by the White House, the US President directed the United States Trade Representative to proceed with placing additional tariffs on roughly US\$200 billion of imports from China, and were set at a level of 10% until the end of the year. The tariffs rose to 25% on January 1, 2019.	1) <b>April 2018:</b> China levied retaliatory tariffs of 15% or 25% on imports from the United States, including 94 different US food and agricultural tariff lines. These tariff lines mostly included pork, fruit, and tree nuts 2) <b>July 2018:</b> China expanded the 5% retaliatory tariffs to 697 tariff lines in total. 3) <b>September 2018:</b> China raised tariffs on an expanded number of US imports, including additional agricultural products, by 5% or 10% across U.S. imports. 4) <b>September 2019:</b> The number of US agricultural tariff lines with Chinese retaliatory tariffs increased to 1,053. China had proposed

4) <b>September 2019:</b> US levies 15% additional tariffs on US\$112 billion of Chinese Goods. Till September 2019, US had expanded the coverage of tariffs to ~US\$550 billion of imports from China.	expanding and increasing tariffs on December 15, 2019, which would bring the total to 1,084.
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### What is happening this time around as the world gears up for another Trade Conflict?

After the first round of tariffs, US has announced the imposition of a 25% ad valorem tariff on February 10, 2025 on imports of steel articles from most countries. The Chinese Government, in response to the 10% tariff imposed on all Chinese goods, has already introduced the following additional duties on imports from US: (a) 15% tariffs on coal and liquefied natural gas, covering goods under 8 Harmonized Tariff Schedule (HTS) codes; (b) 10% tariffs on crude oil, agricultural machinery and large-engine vehicles, affecting commodities under 72 HTS codes.

### Indian Government making Exports to India more conducive for Other Nations – Union Budget FY2025-26

Under India's Union Budget FY2025-26, announced on February 1, 2025, the Indian Government proposed eliminating 7 additional customs tariff rates for industrial goods, following the removal of 7 tariffs in Union Budget FY2023-24. This reduces the total number of tariff slabs to 8, including a zero rate.

- **Relief on Import of Drugs / Medicines:** To provide relief to patients, particularly those suffering from cancer, rare diseases and other severe chronic diseases, the Indian Government has proposed to add 36 lifesaving drugs and medicines to the list of medicines fully exempted from Basic Customs Duty (BCD).
- **Promoting Domestic Industry and improving Import Scenario:** The Indian Government has proposed to fully exempt customs duty on cobalt powder and waste, the scrap of lithium-ion battery, Lead, Zinc and 12 more critical minerals. This will help secure their availability for manufacturing in India. The Budget has also introduced multiple customs duty exemptions to support domestic manufacturing in the segments of EV and mobile phone battery production, textiles, leather, electronics and displays, shipbuilding and shipbreaking and telecom equipment.

### Conclusion

Recently, Sanjay Kumar Agarwal, Chairman of the Central Board of Indirect Taxes and Customs, stated that during such times of escalating trade tensions, India is relatively well-placed because the majority of items imported from the US are not subject to high tariffs, with the duty on the top 30 imported items ranging from 0 to 7.5%. As the Indian Government aims to establish a vibrant local manufacturing ecosystem and increase its total trade (exports + imports) as a percentage of global trade stands from its 2023 level of 2.3%, it will be crucial for the Government to keep terms of the trade more conducive.

**Sources:** WTO, Congressional Research Service India Budget, White House, and other publicly available information

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