

Opinion by [Sachin Chaturvedi](#)

How India can do business with Trump's America

India is well entrenched in the services sector in the US, but there is an inordinately high reliance on the H-1B visa as a tool for service delivery



Donald J Trump speaks after being sworn as the 47th US President in the US Capitol Rotunda in Washington, DC. (Reuters)



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The “golden age of America” has begun under the leadership of President Donald Trump with an aggressive America first trade policy. China will continue to be the target country. However, along with Mexico and Canada, it must have heaved a sigh of relief with his initial announcement on tariffs. In the first few memos, Trump has identified countries that would be approached for possible deals. But, while giving a clear message of trade reciprocity, Trump’s initial statements also provide space for dialogue and course correction to partner countries. This is contrary to the fears that were voiced before he assumed office.

The biggest challenge for the Trump administration will be to contain the continuously expanding trade deficit. In 2023, the US trade deficit was at \$1.05 trillion, of which four countries accounted for almost 80 per cent — China (30 per cent), Mexico (19 per cent), EU (16 per cent) and Canada

(15 per cent). With a 3.2 per cent share and a surplus of only \$33 billion, India comes in at the ninth position. It is also important to note that among the top four contributors to the US trade deficit, each one accounts for more than \$150 billion, with China's share being double of this at \$318 billion.

On decoding the US trade deficit further, one finds that India's trade surplus varies across product categories. For instance, imports of primary goods from the US stand at \$13 billion, while exports are at less than a billion. The pattern is completely opposite in the case of consumption goods where India's imports stand at \$2 billion while exports are at \$27 billion. This makes it clear that a nuanced approach is required to analyse India-US trade. In some categories, distinctions are not so pronounced. For example, the US exports capital goods worth \$6 billion while its imports from India stand at \$8 billion.

Trade partnerships, if not viewed with a balanced perspective and in the right context, may lead to actions that cause a contraction rather than expansion. With the political push at the highest level and collective commitment for addressing global supply chain disruptions, the efforts of leadership should be to guide business enterprises and facilitate investment and financial linkages for strengthening trade relations. Given the fact that in the Indo-Pacific Economic Framework for Prosperity (IPEF), India has already agreed at three verticals out of the four — supply chains, clean energy, decarbonisation and infrastructure, and tax and anti-corruption — the possibility of a calibrated free trade agreement seems bright. It is interesting to note that on day one, Trump has already identified stable supply chains as his top priority.

It is also pertinent to see what the internal discussions in the US are. The US has come out with a comprehensive Quadrennial Supply Chain Review 2023. This talks about strategies that it should come [up](#) with to respond to the non-market policies and practices (NMPP), as increasingly leveraged by China. This report shows how a third party — China using other countries — targets the US economy. Bringing in greater traceability in trade is something which this report focuses on. Traceability is also an issue for several countries like India. The solutions advocated by the quadrennial supply chain review are in terms of proposed amendments to Article 301 and Article 201 — it calls on the US administration to bring in greater circumvention procedures. President Trump has also suggested that Treasury, Commerce and Homeland Security pool their resources to implement the External Revenue Service, instead of leaving the task to Customs and Border Protection.

A China-US trade war could pose challenges for India. China may target new markets and destinations in view of the production churn taking place in the country. Apart from the danger of dumping in the Indian market, India's exports to developing countries, especially those in Africa could also be affected.

Further, India is well entrenched in the services sector in the US, but there is an inordinately high reliance on the H-1B visa as a tool for service delivery. It has to be realised that traditional service delivery business models have become outdated and modalities like BPOs 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.

There are two things that the Indian government has been consistently pursuing. One is to push for simplifying the H-1B process. Currently, it has a very complicated process and this has been time and again brought to the attention of the US administration. In addition, efforts are also being made to enhance the quota for Indian students. Almost 72 per cent of the total H-1B visas are being granted to Indians. China's share stands at 12 per cent. The arguments for and against this expansion have already taken a political turn. China is also being blocked in AI-related areas while Indian students have prevailed in many more areas, though some discussions now are on to block everyone from entering new and upcoming areas in synthetic biology. Greater linkages and continuous dialogue between India and the US may help us elevate the partnership above these narrow concerns.

The India-US partnership should be viewed in a comprehensive manner, bringing in the cross-sectoral and cross-modality connections across trade, investment, technology and finance. This may require new institutional mechanisms at the highest level for effective and timely delivery. This would provide the space for launching necessary measures for ensuring convergence across above mentioned segments. As trends in trade are emerging, this institutional mechanism will help prepare India to look at trade relations beyond the US.

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