US tariffs: India should explore ASEAN, EU, Africa, and Latin America

Dr. Nilanjan Banik | March 28, 2025

Dr. Nilanjan Banik, Program Chair at Mahindra University, sees US tariff actions as a move to correct t and reduce reliance on China. While this disrupts global supply chains and WTO-led governance, it als the China+1 strategy. India must enhance trade logistics and streamline regulations to benefit. At the s industries like steel and textiles face risks from reciprocal tariffs and product dumping, necessitating pr measures.

IBT: How do you see the current trade tensions due to US tariff actions playing out, and what strategic gains might the US seek to achieve through this approach?

Dr. Nilanjan Banik*:* The US tariff actions are part of a broader strategy to address perceived trade imbalances and reduce dependence on China. The approach serves multiple objectives, including protecting domestic industries, reshoring critical manufacturing, and exerting pressure on trading partners to negotiate more favourable terms. In the short term, these measures could escalate tensions and disrupt global supply chains, but in the long run, they might push companies to diversify their sourcing strategies.

IBT: What implications do these trade tensions have for the multilateral trading framework developed under WTO over the past three decades, and how might they reshape global trade governance?

Dr. Nilanjan Banik*:* The current tariff wars challenge the principles of the WTO, which was established to promote free and fair trade. By bypassing WTO mechanisms and resorting to unilateral tariff actions, the US risks undermining global trade governance. This could lead to a fragmented system where regional and bilateral trade agreements become more dominant. Countries may increasingly resort to protective measures, thereby reducing the effectiveness of the WTO in dispute resolution and trade liberalisation.

IBT: To what extent could the imposition of tariffs accelerate the China+1 strategy, and how might India benefit from this shift in global supply chains?

Dr. Nilanjan Banik*:* The tariffs are already prompting businesses to accelerate their China+1 strategy, wherein they reduce reliance on China by establishing manufacturing bases in alternative markets. India, with its large labour force, improving infrastructure, and government incentives like the PLI scheme is well-positioned to benefit. However, to fully capitalize on this opportunity, India must address bureaucratic bottlenecks, enhance ease of doing business, and improve trade logistics.

IBT: What should be India's key priority sectors and negotiating stance in the proposed Bilateral Trade Agreement (BTA) with the US to ensure favourable outcomes for its industries?

Dr. Nilanjan Banik*:* India should focus on sectors where it holds a competitive edge, such as IT services, pharmaceuticals, textiles, and engineering goods. Additionally, areas like agricultural exports and renewable energy should be prioritized. India's negotiating stance should aim for greater market access in the US while safeguarding its domestic industries from excessive competition. Addressing regulatory concerns, such as data localization and intellectual property rights, will also be crucial.

IBT: Which Indian industries are most exposed to the risk of reciprocal tariffs, and how might such measures influence their long-term competitiveness in the U.S. market?

Dr. Nilanjan Banik*:* Industries such as steel, aluminium, textiles, and auto components are vulnerable to reciprocal tariffs. Such measures could increase costs for Indian exporters, making them less competitive in the US market. To mitigate this risk, Indian industries must diversify their export destinations, enhance product quality, and invest in technology to improve efficiency.

IBT: There is a fear that the imposition of tariffs by the US could lead tothe dumping of products into markets like India. Please share your views and possible sectors that could be impacted.

Dr. Nilanjan Banik*:* Dumping occurs when surplus goods, unable to find a market in the US, are redirected to other regions at lower prices. India could see an influx of cheap imports in sectors like steel, electronics, and chemicals. This could harm domestic manufacturers, making it imperative for India to deploy anti-dumping duties and safeguard measures to protect local industries from unfair competition.

IBT: Trade diversification is considered a very potent strategy for India to minimize the impact of Trump tariffs. Which global regions present viable alternatives for India and why?

Dr. Nilanjan Banik*:* India should look towards ASEAN, the European Union, Africa, and Latin America for trade diversification. ASEAN nations offer proximity and existing trade agreements, while the EU provides a high-value market for Indian goods. Africa presents opportunities due to its growing consumer base and demand for infrastructure projects, whereas Latin America is a promising market for agricultural and pharmaceutical products. Strengthening trade ties in these regions will help India reduce its dependence on the US and China, enhancing economic resilience.

Dr. Nilanjan Banik is currently a Professor of Economics and Finance at the School of Management, at Mahindra University. He earned his Ph.D. in Economics from Utah State University, USA and a Master of Economics from Delhi School of Economics, India. Prof. Banik works focuses on the application of time series econometrics in issues relating to international trade, market structure and development economics. His other area of work focuses on the ` rules' part of WTO; especially examining the non-tariff barriers aspect of GATT/WTO agreements. Presently, he is working in the area of India's growth and development spatial nexus.