

# Insights Unwrapped

*Decoding Trump's Tariff Turmoil*

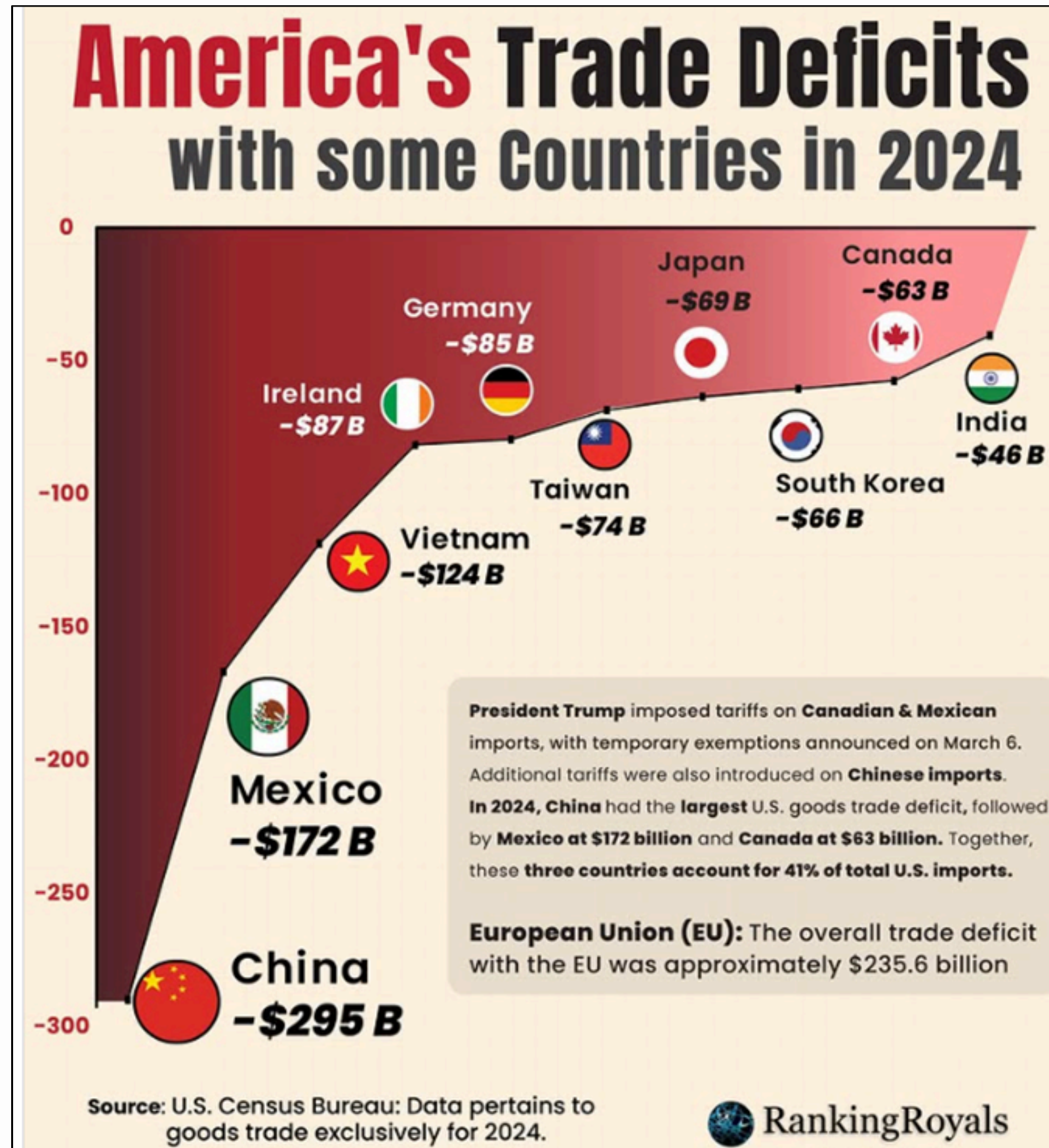


12th April 2025  
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# Trade Wars and the likely Implications

## Tariffs, Trade, and Economic Tensions: Balancing Bold Moves with Market Doubts

- **Tariffs and Skepticism:** Tariffs might signal a bold economic shift, but doubts linger. The rapid market sell-off and stagflation warnings point to potential overreach, while the focus on bilateral trade deficits overlooks the complexities of global supply chains.
- **Economy Viewpoint:** With unemployment at 4.2% in March 2025, Trump's claim of a manufacturing crisis lacks support. His tariff strategy may not resolve a non-existent labor shortage and could destabilize an otherwise steady economy.
- **Stock Market Viewpoint:** Technology-driven growth (e.g., AI and stocks like Nvidia) has boosted stock multiples historically, while shifting to manufacturing could raise costs and lower competitiveness, shrinking multiples.



## Reciprocal Tariffs: The Math Behind the Measures

S. no.	Region	Imports (USD Bn)	Exports (USD Bn)	Surplus/ (Deficit) USD Bn	Original Reciprocal Tariffs	Updated Rate (as on 9th April'25)
		(A)	(B)	(C)	(D)= (C/A)/2	
	World	3,267.4	2,065.2	-1,202.2		
1	China*	438.9	143.5	-295.4	33.6%	125%
2	Mexico*	505.9	334.0	-171.8		
3	Vietnam	136.6	13.1	-123.5	45.2%	10%
4	Ireland ^	103.3	16.5	-86.7	20.0%	10%
5	Germany ^	160.4	75.6	-84.8	20.0%	10%
6	Taiwan	116.3	42.3	-73.9	31.8%	10%
7	Japan	148.2	79.7	-68.5	23.1%	10%
8	South Korea	131.5	65.5	-66.0	25.1%	10%
9	Canada*	412.7	349.4	-63.3		
10	India	87.4	41.8	-45.7	26.1%	10%
* No formula applied in these countries; ^ EU at flat 20%						

There is a widespread shock over the tariff calculations, which crudely focus on each country's bilateral trade balance with the US. The "reciprocal" tariffs, announced on April 2, 2025, seem to equal the **US bilateral trade deficit with each country in 2024, divided by US imports from that country, then halved** (see table).

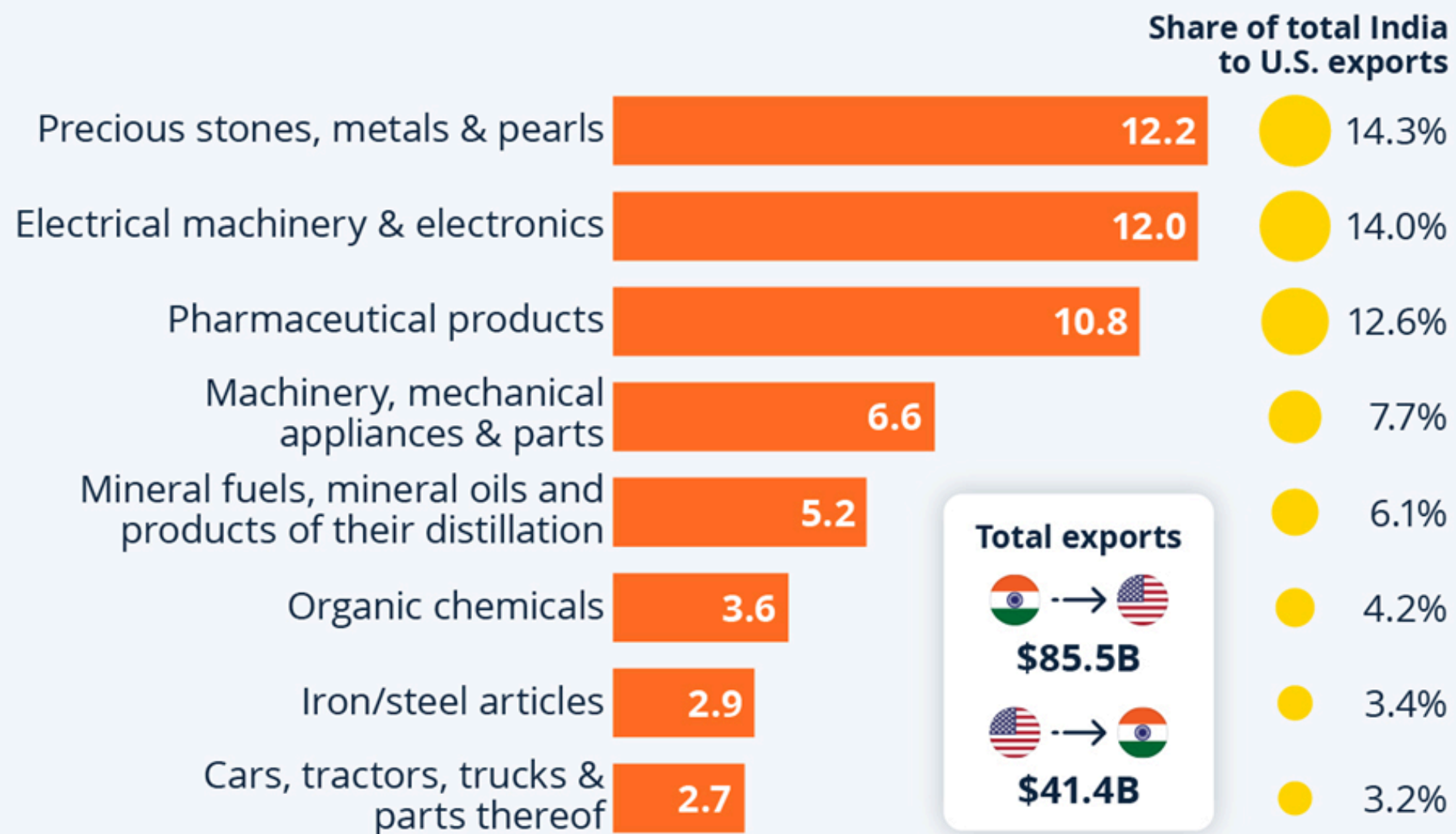
This approach has significantly undermined U.S. credibility. After imposing punitive tariffs, a 90-day pause was announced for countries that did not retaliate, reducing their tariff rate to 10%.



# Share of Indian exports to the US

## The U.S.-India Trade Relationship

Top traded exports from India to the United States in 2023 (in billion U.S. dollars)

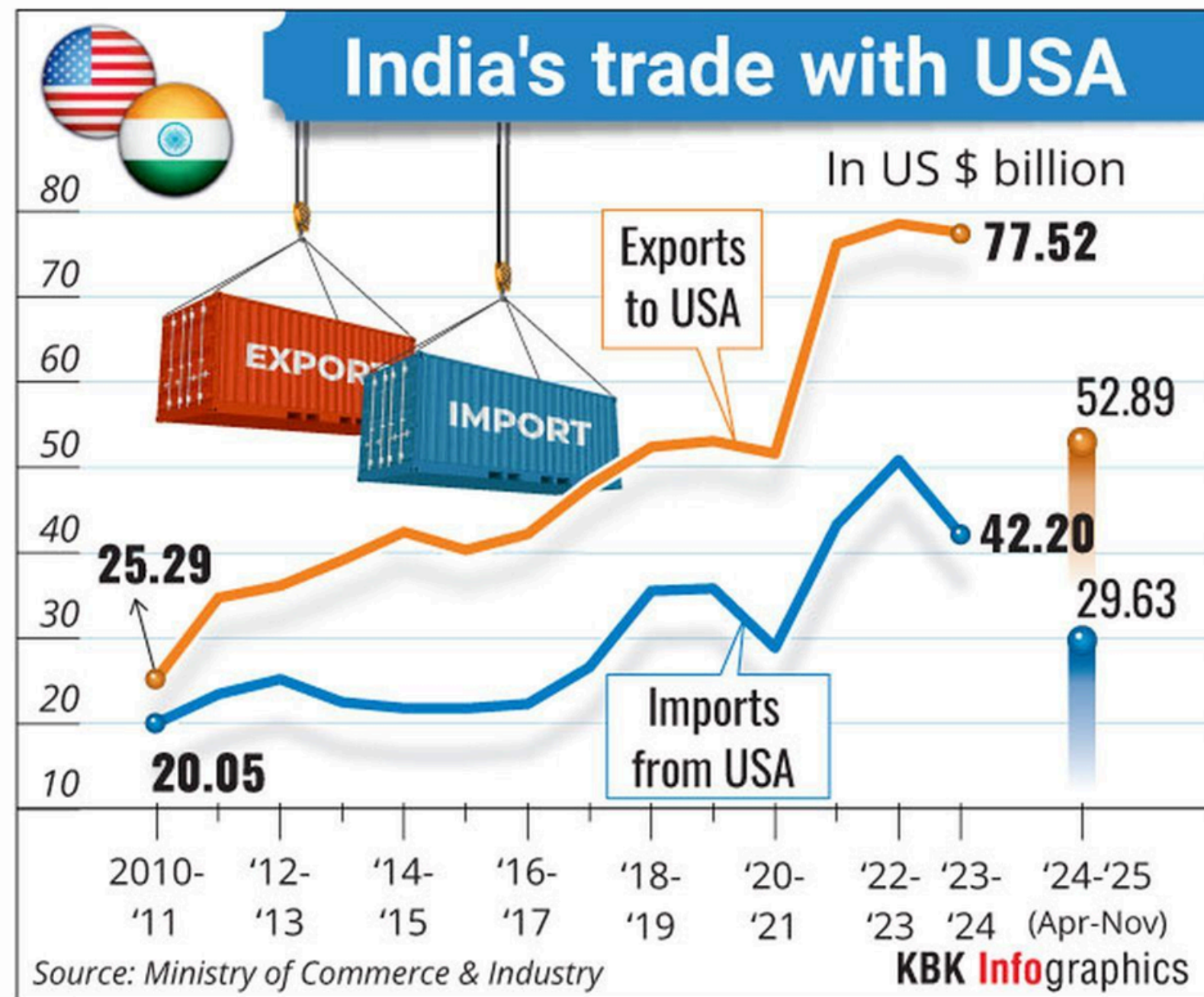


U.S. tariffs include a **26 percent** duty on Indian products. Pharmaceuticals are so far exempt, but U.S. President Donald Trump has said he will soon announce a “major” tariff on them too.

Source: UN Comtrade/BACI International via OEC/MIT

- Precious stones (including diamonds and jewelry), electronics, and pharmaceutical products were the most valuable categories of Indian exports to the U.S., together accounting for around **40% of total exports from India.**
- The top three U.S. exports to India in 2023 were mineral fuels and oils (\$13.6 Bn), machinery and mechanical appliances (\$5.32 Bn), and precious stones, metals, and pearls (\$2.41 Bn).

# India-US Trade: What Could Be on the Cards?



India's Import Increase Needed: \$20–25 Bn, raising US imports from \$41.8 Bn to \$62-66 Bn. This is possible through-

- **Proposed Tariff Cuts:** India has already proposed tariff cuts on \$23 Bn of U.S. imports (55% of current U.S. exports to India), reducing duties from 5–30% to as low as zero. If these cuts lead to a 50% increase in affected import values (a reasonable estimate given lower prices), that's an additional \$11.5 Bn.
- **Additional Imports:** Target of ~ \$15–20 Bn total across sectors-
  - **Energy:** Increase by \$10–15 Bn from the current \$6.5 Bn (via a shift from Russia).
  - **Defense:** Increase by \$5–10 Bn (e.g., F-35s).
  - **Tech/Semiconductors/ Agriculture:** Add \$5 Bn

*The trade deficit with India was approximately \$45.6 Bn in 2024 (U.S. exports to India: \$41.8 Bn; imports: \$87.4 Bn). India needs to reduce this to \$20–25 Bn to help lower the 26% tariff.*



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