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Donald Trump's Reciprocal Tariff Policies and Their Impacts on Indian Agricultural and Allied Sectors

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This article critically examines the implications of the Trump Administration's tariff policies, particularly focusing on the policy of reciprocity in international trade, and its impacts on the Indian Agricultural sector. While the US has justified these measures for national security purposes and unfair trade practices, these measures are not WTO-compliant. The analysis explores the relationship between reciprocal tariffs and their effects on trade relations with India in the agriculture sector. The impacts of high tariffs are limited, except for marine products, like shrimp, which have a massive export market in the US. Other key sectors, including dairy and poultry, are shielded by high domestic tariffs to ensure food security and protect small farmers. To reduce the trade deficit with the US, India should reduce its tariffs on non-essential imports, increase co-operation in non-agriculture sectors such as energy and defence, and reduce the trade deficit without compromising India's core interest in the agricultural sectors.

Keywords: agriculture, reciprocity, tariff, shrimps.

INTRODUCTION

President Donald Trump has imposed or has threatened to impose hefty tariffs upon several of the United States' (US) trade partners.¹ Such impositions of tariffs have disrupted the markets,² baffled entire industries and reshaped the diplomatic relationship of the United States.³ With other countries. He has implemented tariffs for various reasons, including the unwillingness of a country to allow the landing of a US Air Force flight carrying deportees from America.⁴ fentanyl smuggling, illegal immigration,⁵ and reciprocal tariffs⁶ on various trading partners of the US, including India. However, this imposition of tariffs has been erratic; President Trump has halted, revoked, or removed the tariffs almost immediately after they went into effect.

Considering this, the article will focus on the concept of reciprocity in international trade, its applicability under the current multilateral trading structure, and its relationship with the Most Favoured Nation (MFN) Principle. It will also explore the legality of unilateral American actions on other members of the World Trade Organisation (WTO). Additionally, the article will focus on the impacts of these tariffs on Indian Agriculture and allied sectors. This sector has been focused on, as India imposes very high tariffs on imports of such goods, and as a result, the reciprocal tariff would also be high. So, this article will examine the possible implications of high American tariffs in this sector and will also suggest some ways in which India can reduce trade deficits while also protecting its core interests.

¹ Talya Minsberg, 'A Timeline of Trump's On-Again, Off-Again Tariffs' *The New York Times* (13 March 2025) <<https://www.nytimes.com/2025/03/13/business/economy/trump-tariff-timeline.html>> accessed 16 March 2025

² Joe Rennison, 'An 'untradable' market: Trump sows profound uncertainty for stocks' *The Straits Times* (16 March 2025) <<https://www.straitstimes.com/business/an-untradable-market-trump-sows-profound-uncertainty-for-stocks>> accessed 16 March 2025

³ International New York Times, 'Trump says he'll rework global trading relations with 'reciprocal' tariffs' *Deccan Herald* (14 February 2025) <<https://www.deccanherald.com/world/trump-says-hell-rework-global-trading-relations-with-reciprocal-tariffs-3405528>> accessed 16 March 2025

⁴ Juan David Lopez et al., 'US and Colombian Governments Reach Agreement and Put Tariffs and Other Measures on Hold' (A BLOG BY Baker McKenzie, 28 January 2025) <<https://sanctionsnews.bakermckenzie.com/us-and-colombian-governments-reach-agreement-and-put-tariffs-and-other-measures-on-hold/>> accessed 16 March 2025

⁵ 'Fact Sheet: President Donald J. Trump Imposes Tariffs on Imports from Canada, Mexico and China' (*The White House*, 1 February 2025) <<https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-imposes-tariffs-on-imports-from-canada-mexico-and-china/>> accessed 16 March 2025

⁶ 'Fact Sheet: President Donald J. Trump Announces "Fair and Reciprocal Plan" on Trade' (*The White House*, 13 February 2025) <<https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-announces-fair-and-reciprocal-plan-on-trade/>> accessed 16 March 2025

THE PRINCIPLE OF RECIPROCITY IN INTERNATIONAL TRADE

Reciprocity in international trade implies that a nation adjusts its domestic trade barriers, especially tariffs, in exchange for the removal of foreign trade barriers on the country's exports.⁷ In the WTO agreement, there is no definition for reciprocity; however, countries have committed to reciprocal and mutually advantageous arrangements.⁸ To reduce barriers in trade and to promote free trade.

The concept of reciprocity in international trade is not new. Till the 18th century, most European Nations followed a trade policy that followed the Mercantilist doctrine. It was a form of economic nationalism, where the wealthy and powerful states wanted to enrich themselves by restraining imports of goods and promoting exports. The objective was to achieve a favourable balance of trade, which would bring in gold and silver to the country while also maintaining a high amount of employment.⁹ However, this system was challenged by the writings of Adam Smith and David Ricardo, both of whom emphasised the value of imports. Ricardo formulated the idea of comparative costs,¹⁰ which, in modern days, is known as comparative advantage¹¹. According to many economists, it forms the basis of modern free trade. The central idea of this concept is that a country should trade a product from another country if it can get it at a lower cost rather than produce it at home.¹²

The concept of reciprocity and the liberalisation of trade went together, and this trend was led by Great Britain. The Reciprocity of Duties Act of 1823 was a radical move from its past practices. It allowed Britain to enter into bilateral trade agreements with other countries and permitted the reciprocal removal of tariffs under such agreements.¹³ Britain also removed

⁷ Douglas Irwin, *Clashing Over Commerce - A History of US Trade Policy (Markets and Governments in Economic History)* (The University of Chicago Press 2017) 8

⁸ 'Overview of the WTO Agreements' (Ministry of Economy, Trade and Industry, 2016)

<https://www.meti.go.jp/english/report/data/2016WTO/pdf/02_01.pdf> accessed 16 March 2025

⁹ Laura LaHaye, 'Mercantilism' (Econlib) <<https://www.econlib.org/library/Enc/Mercantilism.html>> accessed 16 March 2025

¹⁰ 'David Ricardo' (Econlib) <<https://www.econlib.org/library/Enc/bios/Ricardo.html>> accessed 17 March 2025

¹¹ Donald J. Boudreaux, 'Comparative Advantage' (Econlib)

<<https://www.econlib.org/library/Enc/ComparativeAdvantage.html>> accessed 17 March 2025

¹² Brad McDonald, 'Back to Basics: Why Countries Trade' (2009) 46(4) Finance & Development

<<https://www.imf.org/external/pubs/ft/fandd/2009/12/basics.htm>> accessed 16 March 2025

¹³ 'Free trade and protection' (UK Parliament) <<https://www.parliament.uk/about/living-heritage/transformingsociety/tradeindustry/importexport/overview/freetrade/>> accessed 17 March 2025

other protectionist measures, like repealing the corn law in 1846¹⁴ and parts of British navigation laws in 1849, which had safeguarded British goods for centuries.¹⁵

The Cobden-Chevalier Treaty of 1860 between Great Britain and France further reduced tariff barriers and, for the first time, incorporated an unconditional MFN Treatment.¹⁶ This widened the scope of reciprocity as it allowed any favour, privilege, or reduction.¹⁷ Granted by one country towards another in importing articles was to be extended to third countries. This treaty allowed the growth of free trade.

IMPORTANCE OF THE PRINCIPLE OF RECIPROCITY UNDER THE MULTILATERAL TRADING SYSTEM

The main aim of the multilateral trading system is to promote trade **liberalisation** by removing trade barriers, resolving trade disputes, promoting transparency in trading regulations, and increasing co-operation among nations.¹⁸ The MFN concept is fundamental in all multilateral trading agreements. This includes agreements on trade in goods,¹⁹ trade in services,²⁰ and protection of intellectual property.²¹

However, such agreements do not advocate for the total opening of the economy or the removal of all trade barriers. Under Article II of the General Agreement on Tariffs and Trade (GATT), countries are required to submit a Schedule of Concessions, which shows the maximum amount of tariff that a country intends to impose on a good while it is being imported into the country.²² Countries are not required to follow a particular formula to classify the goods. However, the chosen method must not lead to an arbitrary increase in the bound rates. Under the General Agreement on Trade in Services (GATS), countries are

¹⁴ 'Corn Law' (*Britannica*) <<https://www.britannica.com/event/Corn-Law-British-history>> accessed 17 March 2025

¹⁵ 'Free trade and protection' (*UK Parliament*) <<https://www.parliament.uk/about/living-heritage/transformingsociety/tradeindustry/importexport/overview/freetrade/>> accessed 17 March 2025

¹⁶ Anqi Wang, 'History of the MFN Clause in International Law' in Anqi Wang (ed), *The Interpretation and Application of the Most-Favored-Nation Clause in Investment Arbitration* (vol 12, Martinus Nijhoff 2022)

¹⁷ *Ibid*

¹⁸ Saïd El-Naggar, 'The Multilateral Trading System and the Uruguay Round of Trade Negotiations: An Arab Perspective' in Saïd El-Naggar (ed), *Foreign and Intratrade Policies of Arab Countries* (IMF 1992)

¹⁹ General Agreement on Tariffs and Trade 1948, art I

²⁰ General Agreement on Trade in Services 1995, art II

²¹ Agreement on Trade-Related Aspects of Intellectual Property Rights 1995, art IV

²² General Agreement on Tariffs and Trade 1994, art II

allowed to make Market Access.²³ And National Treatment Commitments,²⁴ which allow countries to open up only those service sectors that they choose to.

By giving such flexibility, countries can liberalise their economy, while also protecting their core interests. They are not required to provide reciprocal treatment; for example, the US has imposed a 2.4 per cent tariff on Motorcycles being imported.²⁵ It does not require countries to impose the same tariff on American motorcycle imports into their country. Countries are required to give no less favourable treatment than the bound rates, and there must not be any discrimination based on the country of origin.²⁶ However, this does not require all the countries to maintain the same tariff rate for a specific product classification.

LEGAL BASIS FOR THE IMPOSITION OF TARIFFS BY THE US

The US has been imposing tariffs under Section 232 of the Trade Expansion Act 1962 and Section 301 of the Trade Act 1974. Measures taken under Section 232 of the Trade Expansion Act and the legality of Section 301 of the Trade Act were challenged before the WTO panel, which assessed whether the law or the measures undertaken are consistent with the WTO obligations of the US.

Section 232 of the Trade Expansion Act of 1962 gives power to the President to prevent the reduction of tariffs or the removal of other trade restrictions under the Tariff Act if they threaten national security.²⁷ This was challenged in the dispute between US Steel and Aluminium Products (China)²⁸, where the disputes concerned the imposition of additional duties and related measures on imports of steel and aluminium, under s. 232.

The Panel found that the additional duties violated the MFN Principle.²⁹ As they went beyond the US's Schedule of Concessions. The panel also interpreted the term emergency in

²³ General Agreement on Trade in Services 1995, art XVI

²⁴ General Agreement on Trade in Services 1995, art XVII

²⁵ Fact Sheet: President Donald J. Trump Announces "Fair and Reciprocal Plan" on Trade (n 6)

²⁶ 'DS27: European Communities – Regime for the Importation, Sale and Distribution of Bananas' (WTO, 08 November 2012) <https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds27_e.htm> accessed 18 March 2025

²⁷ Trade Expansion Act 1962, s 232

²⁸ 'DS544: United States – Certain Measures on Steel and Aluminum Products' (World Trade Organization, 26 January 2023) <https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds544_e.htm> accessed 16 March 2025

²⁹ General Agreement on Tariffs and Trade 1948, art I:1

international relations.³⁰ To refer to a circumstance of a particular magnitude or intensity, as well as global tensions that are crucial or grave in their influence on the way international relations are conducted. Thus, the bar to consider an Emergency in international relations was set very high, and all the measures taken by the US were considered inconsistent with GATT.

Now, if we analyse the present situation, the US is not at war with any other country, nor is it facing any grave security threat. Even though the US has strained ties with China, they are neither in a state of war nor in a situation where both pose an imminent security threat to each other. So, it is nowhere as grave as the circumstance envisaged by the Panel, and as a result, the measures undertaken by the US under section 232 would most likely be declared GATT inconsistent.

Section 301 of the Trade Act of 1974 gives the President the authority to address unfair or discriminatory trade practices of other nations, as determined under section 304.³¹ By implementing tariffs and non-tariff measures to terminate those practices.³² This provision was challenged before the WTO Panel in the case of the US – Section 301 Trade Act.³³ Where the Panel upheld the legality of sections 301 to 310 of the Trade Act of 1974, based upon an undertaking submitted by the US, which affirmed that any determination under section 304 would align with the GATT obligations. The Panel also declared that, if those undertakings were renounced or otherwise eliminated, then the conclusion made by the Panel would no longer be supported.³⁴

In the present situation, the US is unilaterally taking measures if it finds any discriminatory or unfair trading practices. They are not bringing in such disputes before the Dispute Settlement Board (DSB) and are not following the processes established under the Dispute Settlement Understanding (DSU). So, in all probability, measures undertaken by the US would be considered inconsistent with the WTO agreements, since the US is not upholding the commitments made by them in the undertaking.

³⁰ General Agreement on Tariffs and Trade 1948, art XXI(b)

³¹ Trade Act 1974, s 304

³² Trade Act 1974, s 301

³³ 'DS152: United States – Sections 301–310 of the Trade Act 1974' (*World Trade Organization*, 27 January 2000) <https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds152_e.htm> accessed 17 March 2025

³⁴ *Ibid*

THE IMPLICATION OF PRESIDENT TRUMP'S TARIFF POLICIES ON INDIA'S AGRICULTURAL AND ALLIED SECTORS

Even though the actions of the USA may be considered inconsistent with GATT, due to various geopolitical obligations, India may not take the disputes before the WTO. In such a situation, the issues arising from the measures implemented by the US are forcing the Indian government to bring down the tariff on certain products and bring it near or equal to the rate imposed by the USA on Indian imports. Such a decrease in tariff rate, when combined with the MFN principles, would require the like products.³⁵ Other countries would also enter the Indian market at a similarly reduced tariff rate. This would reduce the cost of foreign goods in the Indian market, potentially harming Indian manufacturers. Considering these factors, this article will examine the industry outlook of India's agriculture and allied sectors, their contributions to Indian imports and exports, and the possible implications of higher tariffs on such goods in the US.

INDIAN AGRICULTURAL AND ALLIED SECTORS

Agriculture and allied sectors encompass many activities, including agriculture, cattle, fisheries, forestry, and associated industries, including dairy farming, horticulture, and agro-processing. According to an economic survey conducted by the Ministry of Finance in 2024, the agricultural sector in India supports the livelihoods of around 42.3% of the people and accounts for 18.2% of the nation's GDP at current prices.³⁶ This shows the importance of this sector in providing livelihood to a large number of people, especially in rural areas, as well as ensuring food security in the country. Considering these factors, this article will further analyse some of the highly traded items in the agriculture and allied sectors and the ways higher tariffs on their exports to the US would affect them.

Basmati Rice: It is one of the most exported agricultural commodities, with an export value worth around 4.53 billion dollars in 2023-24.³⁷ This product is exported to various countries,

³⁵ 'DS 75: Korea – Taxes on Alcoholic Beverages' (*World Trade Organisation*, 14 January 2000) <https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds75_e.htm> accessed 16 March 2025

³⁶ 'AGRICULTURE SECTOR HAS REGISTERED AN AVERAGE ANNUAL GROWTH RATE OF 4.18 PERCENT OVER THE LAST FIVE YEARS: ECONOMIC SURVEY' (*Press Information Bureau*, 22 July 2024) <<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2034943>> accessed 20 March 2025

³⁷ *A Brief Report on Export of Rice by India* (Directorate General of Commercial Intelligence & Statistics, Kolkata, 2024) <[https://www.dgciskol.gov.in/writereaddata/Downloads/20240808163758A brief report on Export of Rice by India.pdf](https://www.dgciskol.gov.in/writereaddata/Downloads/20240808163758A%20brief%20report%20on%20Export%20of%20Rice%20by%20India.pdf)> accessed 20 March 2025

with some countries in the Middle East and the United States being its major importers. The value of imports to the United States in the financial year 2023-2024 was 310 million dollars, which is a substantial amount but is less than 10 per cent of the total value of exports of basmati rice. So, even if higher tariffs make this product uncompetitive in the US market, India has alternative markets, particularly in the Middle East, including Iran, where the amount of exports has fallen between the financial years 2021-22 and 2023-24.³⁸ As a result, Indian exporters can diversify the export market and are unlikely to face many losses.

Raw Cotton: India's cotton exports were 6.78 billion dollars in the financial year 2023-24.³⁹ India's export market mainly consists of countries like Bangladesh, China, and Vietnam.⁴⁰ And the United States is a negligible importer. So, any increase in the tariff on cotton in the US won't affect India much.

Marine Products: This industry is expected to face the highest disruption. India's seafood export for the Financial Year 2023-24 was 7.38 billion dollars. In terms of both number and value, frozen shrimp continued to be the most popular export. China and the US emerged as India's top buyers of seafood, while the US was by far the largest buyer of Indian shrimps.⁴¹ This trade is threatened as India imposes a 30 per cent tariff on almost all fish imports,⁴² while the US imposes a tariff between 0 and 0.5 per cent on similar products.⁴³

Any reciprocal increase in tariff would make Indian shrimp exports to the US less competitive while creating opportunities for more imports from other major importers like Ecuador and Indonesia.⁴⁴ India must eliminate all tariffs from most marine products, except for those that are abundantly found in our neighbouring countries, to protect our domestic

³⁸ *Ibid*

³⁹ 'Cotton Industry and Exports' (IBEF) <<https://www.ibef.org/exports/cotton-industry-india>> accessed 20 March 2025

⁴⁰ *Ibid*

⁴¹ 'India's seafood exports touch all-time high by volume in FY 2023-24: Major export items include frozen shrimp and frozen fish; US & China remain top export destinations' (*Press Information Bureau*, 19 June 2024) <<https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2026456>> accessed 20 March 2025

⁴² 'Schedule of Specific Tariff Commitments of India on Trade in Goods' (*Ministry of Commerce and Industry, Government of India*) <<https://commerce.gov.in/wp-content/uploads/2022/03/Chapter-2-Annex-2A-Copy-of-India-UAE-CEPA-Final-Offer-to-UAE-Schedule-of-Tariff-Concessions-As-shared-on-20.12.21-1045AM.pdf>> accessed 20 March 2025

⁴³ 'United States tariffs on India' (WITS World Integrated Trade Solution) <<https://commerce.gov.in/wp-content/uploads/2022/03/Chapter-2-Annex-2A-Copy-of-India-UAE-CEPA-Final-Offer-to-UAE-Schedule-of-Tariff-Concessions-As-shared-on-20.12.21-1045AM.pdf>> accessed 20 March 2025

⁴⁴ 'U.S. Imports of Shrimp (All Types) by country with comparisons, in Metric Tons' (NOAA Fisheries) <[https://www.fisheries.noaa.gov/foss/f?p=215:20:4003417120640:::~](https://www.fisheries.noaa.gov/foss/f?p=215:20:4003417120640:::)> accessed 21 March 2025

fishermen and prevent the Indian market from being flooded with cheap foreign fish. India must also increase the money spent under the Pradhan Mantri Matsya Sampada Yojana Scheme.⁴⁵ And provide more subsidies to the fishermen, to allow them to get modern equipment and increase production so that they remain competitive amid rising imports.

Animal Husbandry and Dairying: Livestock is a very important sub-sector of the agricultural economy of India and contributes significantly to the Indian agricultural trade. India is the largest dairy market in the world,⁴⁶ contributing to 24.76 per cent of the total milk production, which amounted to 239.30 million tonnes during the financial year 2023-24.⁴⁷ However, India's milk export market remains small, with a value of \$272.64 million.⁴⁸ India also has a large poultry sector; however, its export market is small at 184.58 million dollars.⁴⁹ These sectors are extremely important for India's food security and are not viewed as ways to increase exports.

India also maintains various tariffs and non-tariff barriers to the entry of such goods. For dairy products, India maintains tariffs between 30 and 40 per cent, while for poultry products, tariffs range between 30 and 100 per cent.⁵⁰ Besides this, India also maintains non-tariff measures that align with the Sanitary and Phytosanitary Measures (SPS) agreement, as such measures are being implemented to safeguard human health.⁵¹

Many developed countries, including the US, have asked India to open up this sector, as they consider India to be a big market and could be an easy way to bridge the trade deficit. However, most Indian farmers have a small landholding and mainly practise subsistence

⁴⁵ 'Basic Framework of PMMSY' (National Fisheries Development Board) <<https://nfdb.gov.in/welcome/PMMSY>> accessed 21 March 2025.

⁴⁶ 'Development of India's Dairy Sector' (IBEF, 21 October 2022) <<https://www.ibef.org/blogs/development-of-india-s-dairy-sector#:~:text=The%20dairy%20industry%20in%20India,209.96%20MT%20in%202020%2D21.>> accessed 21 March 2025

⁴⁷ 'Year End 2024: Department of Animal Husbandry and Dairying' (Press Information Bureau, 19 December 2024) <<https://pib.gov.in/PressReleasePage.aspx?PRID=2086052>> accessed 21 March 2025

⁴⁸ 'Milk Export from India: Market Trends & Stats in 2024-25' (Export Import Data, 22 August 2024) <<https://www.exportimportdata.in/blogs/milk-export-from-india.aspx#:~:text=According to statistics on export,States, Singapore, and Bhutan.>> accessed 22 March 2025

⁴⁹ 'Poultry Product' (Government of India Ministry of Commerce and Industry) <<https://www.apeda.gov.in/PoultryProducts>> accessed 22 March 2025

⁵⁰ Schedule of Specific Tariff Commitments of India on Trade in Goods (n 42)

⁵¹ Agreement on the Application of Sanitary and Phytosanitary Measures 1995, art 2

farming.⁵² This leads to higher production costs for milk and poultry products as compared to developed countries, where mechanised farming is more prevalent.⁵³ Allowing an influx of cheaper foreign goods would threaten the livelihood of millions of Indian farmers and, in turn, impact India's food security. Therefore, even if higher tariffs are imposed on this sector on a reciprocal basis, the impact on India would be minimal as the primary goal is to ensure food security.

Sugar: India's sugar production was almost 340 million metric tons between October 2023 and September 2024.⁵⁴ This makes it the second-largest sugar producer in the world. However, its trade value remains small at around 3.97 billion dollars in the year 2023. This is because the government-imposed restrictions on sugar exports⁵⁵ to prevent price fluctuations in the domestic market.⁵⁶ Only limited sugar exports are permitted, so that the sugar mills benefit from high international sugar prices and sugarcane farmers receive timely payments.⁵⁷ The exports to the US remain minimal, and there won't be much effect if reciprocal tariffs are imposed.

Oilseed and Edible Oil: Oilseed and edible oil are two of the most essential commodities for India's food security. Even though India is the largest producer of oilseed in the world,⁵⁸ there is a gap between the demand and supply of edible oil, and this gap is filled by importing from other countries. The amount of tariff has been kept low by the government for almost all edible oils,⁵⁹ to ensure adequate supply and prevent high prices in the domestic market.

⁵² Bekah Wilson, 'Family Farming in India: Economic Program Reform to Eliminate Poverty' (*World Food Prize*) <https://www.worldfoodprize.org/documents/filelibrary/images/youth_programs/research_papers/2006_papers/BooneHS_E0CD038E0AEB3.pdf> accessed 22 March 2025

⁵³ 'Farm mechanisation: A catalyst for sustainable agricultural growth' (PWC, February 2024) <<https://www.pwc.in/assets/pdfs/consulting/management-consulting/farm-mechanisation-catalyst-sustainable-agricultural-growth.pdf>> accessed 22 March 2025

⁵⁴ M. Soundariya Preetha, 'Sugar production may match last year's output: ISMA' *The Hindu* (22 October 2024) <<https://www.thehindu.com/business/sugar-production-may-match-last-years-output-isma/article68783803.ece>> accessed on 23 March 2025

⁵⁵ 'Allocation of 8606 MTRV of raw cane sugar to USA under TRQ scheme for US fiscal year 2024 Public Notice No. 36/ 2023' (*Ministry of Commerce and Industry*, 03 January 2024) <https://www.apeda.gov.in/sites/default/files/dgft_public_notice/pn_03_01_2024.pdf> accessed 23 March 2025

⁵⁶ 'Government allocates export quota of 60 LMT to all sugar mills' (*Press Information Bureau*, 03 January 2024) <https://www.apeda.gov.in/sites/default/files/dgft_public_notice/pn_03_01_2024.pdf> accessed on March 2025

⁵⁷ *Ibid*

⁵⁸ 'Edible Oil Scenario', (*Government of India Department of Food and Public Distribution Ministry of Consumer Affairs, Food and Public Distribution*) <<https://dfpd.gov.in/edible-oil-scenario/en>> accessed on 23 March 2025

⁵⁹ 'Import/Export', (*Department of Food and Public Distribution*) <<https://dfpd.gov.in/import-exports/en>> accessed 24 March 2025

The number of exports is very small,⁶⁰ as compared to the imports, and as a result, the impact of any reciprocal tariff on this industry would be limited.

THE ELASTICITY OF INDIAN AGRICULTURE EXPORTS TO FLUCTUATIONS IN THE EXCHANGE RATE

As tariffs increase, the cost of importing increases, leading importers to reduce their purchases. This, in turn, would decrease the circulation of the dollar in the international market, causing its value to appreciate.⁶¹ This appreciation makes American goods less competitive globally and simultaneously depreciates the value of the Indian rupee against the dollar.

Under ordinary circumstances, such depreciation in currency would make Indian agricultural exports cheaper, thereby boosting exports. However, due to multiple government restrictions and tariffs and non-tariff barriers imposed by other countries, many Indian agricultural sub-sectors would be unable to react freely to the market demands. Nevertheless, this would benefit some sub-sectors like cotton and marine products, where there are very few restrictions on exports.

The increase in exports, coupled with a decrease in dollar circulation, can also enable India to trade in its currency with other nations. This shift would mitigate the risks associated with the fluctuation in the value of the dollar in international trade. A notable example is India's trade with Russia in Rupee and Rouble, where American sanctions have prevented the usage of the American dollar.⁶² Over time, this can challenge the hegemony of the American dollar in international trade, which would have a significant impact on global commerce.

⁶⁰ *Ibid*

⁶¹ 'The fluctuating value of the U.S. dollar and what it means for investors' (*Wealth Management US Bank*, 24 January 2025) <<https://www.usbank.com/investing/financial-perspectives/market-news/the-recovering-value-of-the-us-dollar.html>> accessed 25 March 2025

⁶² Suhasini Haider, 'India and Russia have doubled rupee-rouble payments in 2024, says largest Russian bank' *The Hindu* (16 July 2024) <<https://www.thehindu.com/news/national/india-and-russia-have-doubled-rupee-rouble-payments-in-2024-says-largest-russian-bank/article68407397.ece>> accessed 25 March 2025

STRATEGIES TO REDUCE TRADE DEFICIT WITHOUT IMPOSITION OF RECIPROCAL TARIFFS

The total value of trade between India and the US was 129.2 billion dollars in 2024, with India enjoying a trade surplus of \$45.7 billion.⁶³ So, it is a legitimate demand on the part of the US to demand a reduction of such deficits. However, the imposition of a reciprocal tariff is not the solution, as it would decrease imports and exports from the US. Besides, reciprocal tariffs could become a never-ending process, as companies may shift their production to places with lower tariffs. This could lead to a situation where the trade deficit decreases with one country but simultaneously rises with another.

Besides, the trade deficit must be looked at as a whole and not as each sector in silos. Every country has some domestic obligations to protect some sectors, and no country should be compelled to reduce tariffs across all industries. India can't reduce its tariffs on agricultural goods as it is essential for its food security. However, it can increase other goods, like crude oil, petroleum products, and coal briquettes. Given India's massive amount of crude oil imports from various sources,⁶⁴ it can increase its imports from the US by negotiating favourable deals for crude oil and natural gas.

India can reduce tariffs on some agricultural products that are non-essential, like almonds and pecan nuts. India was a major market for American pistachios, almonds and walnuts.⁶⁵ And such a market is bound to expand if tariffs are decreased. The United States is also the biggest importer of raw cotton into India, with a value of almost 236 million dollars.⁶⁶ To reduce the trade deficit, India can import more long and extra-long staple cotton, especially the U.S. extra-long staple Pima cotton⁶⁷ and Supima Cotton.

⁶³ 'India Trade Summary' (OFFICE of the United States Trade Representative) <<https://ustr.gov/countries-regions/south-central-asia/india>> accessed 25 March 2025

⁶⁴ Sukalp Sharma, 'India's oil import dependency up at 88.1% in April-December as demand growth pips domestic output' *The Indian Express* (30 January 2025) <<https://indianexpress.com/article/business/india-oil-import-energy-demands-domestic-output-petroleum-planning-9806975/>> accessed 25 March 2025

⁶⁵ Alex Beckman, 'Opportunities for U.S. Agricultural Products in India' (*Foreign Agriculture Service US Department of Agriculture*, 09 January 2024) <<https://www.fas.usda.gov/data/opportunities-us-agricultural-products-india> - ~:text=India is a major market,of walnuts reached %2424 million.> accessed 25 March 2025

⁶⁶ 'Raw Cotton in India' (OEC) <<https://oec.world/en/profile/bilateral-product/raw-cotton/reporter/ind>> accessed 25 March 2025

⁶⁷ Beckman (n 65)

India has also shown a willingness to cooperate in the spirits sector by reducing tariffs on bourbon whisky by 50 per cent.⁶⁸ The Indian alcohol market is lucrative, as it is expected to grow exponentially in the near future.⁶⁹ This may potentially challenge the dominance of Scotch whisky in the Indian market. However, the impact would be minimal on Indian premium whiskey manufacturers as they produce a different taste profile.⁷⁰

India can also increase the purchase of defence systems from the United States to reduce trade deficits while exploring new avenues of co-operation. However, such collaboration can't be viewed from the sole perspective of trade and other factors, including geopolitical situation, supply chain management, and maintenance cost of such systems, must also be considered. Thus, there are various ways to increase trade from the United States, without opening the essential sector.

CONCLUSION

The threat of imposition of reciprocal tariffs is unlikely to have much impact on Indian agriculture and allied sectors, except for fisheries, as India's agriculture imports from the United States remain low with India importing about 1.8 billion dollars of agriculture goods in the financial year 2023-24 from the US while the total Indian imports on agricultural and allied sectors was 37 billion dollars. India must adopt a nuanced approach while negotiating the proposed Bilateral Trade Agreement to mitigate the impacts of tariff escalation and create a mutually beneficial situation for both countries.

⁶⁸ 'India slashes bourbon whisky tariffs amid intensifying Trump criticism' *The Hindu* (15 February 2025) <<https://www.thehindu.com/news/national/india-slashes-bourbon-whisky-tariffs-amid-intensifying-trump-criticism/article69222735.ece>> accessed 25 March 2025

⁶⁹ 'Analysis and Growth Projections for India's Alcohol Industry Business' (*fmi Future Market Insights Incorporation*) <<https://www.futuremarketinsights.com/reports/indian-alcohol-market>> accessed 25 March 2025

⁷⁰ Gourab Das, 'Trump tariffs and whisky wars can't shake the Indian single malt in your glass' *The Economic Times* (07 March 2025) <<https://economictimes.indiatimes.com/industry/cons-products/liquor/indian-single-malt-whisky-amrut-rampur-indri-replacing-scotch-do-not-face-threats-of-donald-trump-tariff-liquor-dumping-while-pernod-ricard-diageo-also-launch-desi-alcohol-brands/articleshow/118778607.cms?from=mdr>> accessed 25 March 2025