



WHEN AMERICA SNEEZES AGAIN: ASSESSING INDIA'S ECONOMIC RESILIENCE AND STRATEGIC RESPONSE UNDERTRUMP'S PROTECTIONIST REGIME

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ABSTRACT

"When America sneezes, the world catches a cold." These words, spoken decades ago by an Austrian diplomat, Klemens von Metternich, have great relevance in present times. Donald Trump, as POTUS, is in actuality the controller of the global economy, being a threat to many and a boon for some. When it comes to economic foreign policy, Donald Trump's "America First" approach is grounded in a desire to put U.S. economic interests ahead of global cooperation or trade deals. In this scenario, it becomes essential for each economy to have strong relations with the American administration. This becomes even more vital when a country like India considers the U.S. its largest trading partner, most important export market, and one of the foremost investors.

As we know, during his previous tenure, Donald Trump's presidency saw significant shifts in foreign policy, impacting trade, immigration, and energy. With his return to office, the Indian economy could face renewed challenges but also opportunities, depending on the administration's policies.



To safeguard its own interests, India must adopt a balanced approach that prioritises diplomacy, strategic partnerships, and diversified trade relations. Strengthening economic ties with the U.S. will require India to keep an eye on trade imbalances and regulatory barriers while exploring areas of mutual interest such as technology, defence, and energy. Additionally, India should leverage the role of other global economic players to influence U.S. policies and mitigate possible adverse impacts on its economy.

Thus, this paper seeks to explore the effects of Donald Trump's policies on the Indian economy. As Trump's return brings disruption and unpredictability, it is said that the impacts on trade and business policy will be most consequential for India. So, it raises some critical questions: What are the potential negative implications of Trump's administration for the Indian economy, and how might these policies bring fortune to it as well? What will be the extent of the impacts? What stance should the Indian government take to strengthen ties between the two nations? How can other global economic players play a crucial role in shaping U.S. policies towards India? This study, while answering all the given questions and providing quality solutions, focuses on America's current stance on tariffs and supply chains, pharmaceutical exports, IT and immigration, as well as energy and oil imports, in the context of India.



INTRODUCTION

Over the period of time, both the nations- India and the U.S. have remained in a balanced relationship shaped by various factors, such as economic cooperation, bolstered by peaceful strategic partnerships, and the presence of political friction to some extent. Remarkably, the US is India's largest trade partner, with bilateral trade reaching almost \$120 billion in FY24 (2024, Indian Express). India enjoys a favourable trade relationship with the US, making it a vital source of foreign exchange. Additionally, Indians are heavily dependent on US exports. According to official 2022-23 data, the US accounts for 18% of India's exports, compared to 10% in 2010-11. This export basket is also well-diversified, benefiting industries ranging from textiles, electronics and engineering.

This balance came under deep scrutiny during the first presidential term of Donald Trump (2017-2021). Trump's 'America First' policies, boosted by protectionist trade measures, unilateral withdrawal from multilateral frameworks, immigration restrictions, and transactional diplomacy, significantly disturbed the economic equation between India and the United States. India too lost duty-free access under the decades-old Generalised System of Preferences (GSP) programme, of which it had been the largest beneficiary. Despite these rigorous economic and political policies preached by the American government during Trump's first term as president, both nations continued to uphold harmony and stability during that period, too.

Trump's return to power in 2024 presents a different scenario from his previous term. He is greatly motivated by the sense of ultra-nationalism and is driven by his aim of MAGA Make America Great Again! Consequently, the entire globe now faces the prospect of renewed economic turbulence under a more confident, domestically emboldened Trump administration, which also establishes a new set of challenges for India. As it is strongly projected that under Trump's presidency, there will be a revival of tariff wars, visa curbs, climate disengagement, and hardline bilateral dealmaking, this can affect India's economy to a large extent, a nation highly amalgamated into the trade, labour and technology markets of the US.



Exposure to beefing up of tariffs, complex regulatory barriers, and stricter restrictions on immigration and mobilisation can rattle prominent economic sectors of India. According to a report by Bernstein Research, Indian pharmaceutical exports to the US could face severe setbacks. Stricter H-1B visa rules, where increased rejections are expected, could impact the operating margins of Indian IT firms.

Additionally, issues can emerge in emerging digital trade, where digital trade disputes, especially data localisation, digital services taxation and AI regulation can become more relevant. Economic impacts of this issue can be gigantic. Despite these economic tensions, it is being argued that Donald Trump's resounding return as US President is likely to open a new chapter in deepening the US-India partnership with substantial potential for trade growth, skilled workforce demand, collaborative economic development, and stability in the markets. Trump's return also creates strategic opportunities for India. His Indo-Pacific Strategy (IPS), launched during his first term, positioned India as a cornerstone partner in the U.S. effort to counterbalance China's expanding economic and military footprint in Asia. This strategic calculus continues to guide U.S.-India defence cooperation, which has the potential to expand military exercises and augment defence technology transfers under frameworks such as the Quad, which brings together the US, India, Japan, and Australia. Trump 2.0 offers new avenues for India's defence, which can be a boon for its defence industry.

This research paper, in an expounded manner, examines the upcoming myriad impacts of Trump's second term on India's economy and strategic positioning. By evaluating economic data, policy reviews, expert opinions, and comparative historical analysis, it explores how Trump's economic nationalism, immigration policies, stance on energy exports, digital disputes, and defence strategies can reshape U.S.-India relations. More importantly, the paper investigates how India can heed towards crafting a policy response bolstering its economic interests while preserving its strategic autonomy, allowing it to emerge as a more robust economic and geopolitical player in the post-2025 global order.



OBJECTIVES

1. To examine the economic impacts of Trump's protectionist, tariff escalations, regulatory restrictions, and visa curbs policies on India's key export sectors, such as pharmaceuticals, IT services, agricultural products, etc., during his second term.
2. To evaluate the consequences of stricter H-1B visa regulatory policies and immigration restrictions, which directly affect the mobility of India's skilled. Workforce, remittance flows, and the profitability of Indian IT firms operating. In the United States.
3. To analyse the Indo-US energy partnership, which is primarily centred around fossil fuel exports, climate disengagement, and the diminishing scope for renewable energy cooperation under Trump 2.0.
4. To investigate the emerging concerns regarding digital trade conflicts, including disputes over Digital Services Tax (DST), AI (Artificial Intelligence) advancement, data localisation laws, and India's regulatory independence in its growing digital economy.
5. To assess the strategic opportunities created by Trump's reinforcing Indo Pacific Strategy (IPS) and India's positioning within the Quad framework, especially in terms of defence Technology cooperation.
6. To propose policy responses for India in order to enhance its economic resilience, diversify trade partnerships, strengthen self-reliance in critical sectors and preserve strategic autonomy in the midst of various global uncertainties.



LITERATURE REVIEW

Reshaping of the relationship between the World's Oldest Democracy and the World's Largest Democracy under Donald Trump's presidency has been widely analysed, considering economic and various other geopolitical dimensions. Various scholars have examined the impacts of Trump's first term (2017-2021) on the Indian diaspora, while newer studies predict the potential effects of his second term (2025-2029). This section diligently reviews key literatures that construct the basis for this study, highlighting trade relations, immigration policies, digital economy conflicts, and global governance realignments.

A) TRUMP 2.0: IMPACT ON GLOBAL POLITICS WITH MAJOR CHALLENGES AND OPPORTUNITIES IN INDIA'S FOREIGN POLICY (BY ASHOK KUMAR PUSHKAR)

1. Trade relations and economic policies under the Trump presidency:

According to the article written by Pushkar, the protectionist stance of Trump on global trade can create opposite directions between the two countries. He pointed out the inevitable fact that Trump's protectionism can lead to the emergence of trade wars with major countries such as China, and also has the strong potential to cover India too (2015, Bhattacharya et al.). Taking reference from Trump's first term as president, Pushkar (2025) highlights that India had to counter tariff restrictions for the steel and aluminium exports and lose America's GSP (Generalised System of Preferences) status, which turned into negative areas in bilateral relations, discouraging duty-free exports worth over \$6 billion to the U.S. Predictions of experts yell that. Trump 2.0 will bring even stricter tariff measures, increasing trade volatility for India and adversely impacting trade diversification. In this context, Vajiram & Ravi (2025) suggest that India should focus on accelerating its Free Trade Agreement (FTA) negotiations with the European Union, the UK, and Australia to mitigate US-imposed trade barriers.



2. Immigration policies and their impacts on India's IT sector:

Rigour stature developed under Trump's 'America First' policy made immigration stringent, particularly hindering skilled Indian professionals in the IT sector. During his first tenure, H1B visa rejection rates soared from 6% to over 30%, which ultimately forced Indian IT firms to increase onshore hiring costs in the U.S. (2021, NASSCOM). As these policies prioritise American workers, this can result in limiting opportunities for Indian engineers and software professionals, fracturing India's skilled labour exports. Now, it is being projected that Trump's second term will possibly tighten visa restrictions, impacting Indian firms' ability to outsource talent and sustain U.S.-India IT cooperation (2022, Jaishankar et al.).

3. Digital economy conflicts and U.S.-India tech relations:

A new form of tension between the nations resides in their digital trade. Both nations got involved in disputes over India's Digital Service Tax (DST) during Trump's first term. Pushkar highlights that it was due to the US apprehension of discrimination against America's tech firms. It was highlighted that the pro-business stance adopted by Trump did not move hand-in-hand with India's digital economy policies, for example, its data localisation laws (2019, Watts). It was projected by Pushkar that this type of dispute between the nations could result in a jinx for tech giants operating in India.

B) TRUMP 2.0 AND LIKELY TRADE IMPLICATIONS FOR INDIA (BY PRABIR DE, SOMESH MATHUR, AND ARCHANA SRIVASTAVA)

Worldwide concerns have been raised with the return of Donald Trump to the US presidency. Apprehensions are also prevailing for India's trade, investment, and strategic positioning in the global economy. De, Mathur, and Srivastava (2025) have tried to design an in-depth, structured assessment of the economic consequences that India may face in future due to Trump's pro-US economic policies. Their study gives a better understanding of the macroeconomic impacts of the U.S. trade policies on various sectors of the Indian economy. These impacts are explained below:



1. Trade policy and tariff escalations:

The study diverts the readers' attention to the rise of economic nationalism as a result of Trump's 'America First' policy, which may result in the imposition of higher tariffs on Indian exports. The authors projected that

- There is a strong possibility of worsening of India's trade deficit with the US as a result of the withdrawal of GSP prerogatives, which were revoked in 2019, as there seems to be no chance of its revival.
- US tariffs that may be as high as 20% may be irksome for the pharmaceuticals, textiles and auto parts sectors of India.
- As it is visible that Trump prioritises the US and its people, there are high chances that India's export competitiveness in the US market will plummet shortly.

2. Supply chain disruptions and "China plus one" strategy:

The paper dives deep into the intense US-China trade war, which could lead to realigning of global supply chains, offering both challenges and opportunities to the Indian diaspora. Key insights that this section holds are:

- Moving away from US firms from China may shift various manufacturing-based investors and operations to India, allowing India to be a major part of the spotlight.
- Enthusiastic participation of Delhi in regional trade partnerships (IPEF and Quad initiatives) can have a positive impact on the Indian economy, as it can become an attraction for US FDI in the manufacturing sector.

3. Sectoral analysis: pharmaceuticals, IT, and energy:

One of the best things about the paper is, that this paper has explored sector-wise impacts by keeping those industries in focus which are seen as most vulnerable to Trump's policies. Key insights are as follows:

- Pharmaceuticals: Trump's potential price control measures and regulatory FDA could impinge on the exports of the largest generic drugs supplier to the US, i.e. India.
- IT services: The Profitability of Indian IT firms will be directly affected as a result of stricter H1B visa policies, which promote local hiring in the US.
- Energy trade: As it is vividly clear that Trump is continuously disengaging the US from climate-related global issues, it could limit the transfer of green technology to India



4. Policy recommendations for India:

Moving towards a robust conclusion, the authors have emphasised the need for India to proactively make strong adjustments in its trade and investment policies to minimise economic disruptions under Trump 2.0. Their recommendations include:

- Bolstering its domestic manufacturing through PLI schemes to overcome the US trade restrictions.
- Finding and diversifying trade partners across the globe (EU, ASEAN, Gulf countries) to minimise reliance on Washington-based markets.
- Flourishing its FDI policies to attract investments from companies exiting China due to tariff escalations.
- Broadening the base of defence. cooperation between both nations while maintaining a much-needed autonomy from Trump's rigorous policies.



LITERATURE GAPS

Undoubtedly, both the papers by De, Mathur and Srivastava (2025) and Pushkar (2025) have delved into the topic in the most efficient manner to shed light on the economic impacts of Trump's second term as US president on India. It is also to be noted that their studies exhibit several key gaps, leaving blank space in areas of long-term impacts, digital economy, frameworks on regional trade and financial markets. These key gaps are outlined below:

A) LACK OF PROPER ANALYSIS OF THE FINANCIAL MARKET AND CURRENCY:

Both studies primarily revolve around trade and FDI, neglecting repercussions on the Indian financial market, which comprises stock exchange, flow of capital and currency stability.

None of the papers is focused on likely hikes in US Federal Reserve Bank interest rates as a possible response to Trump's fiscal policies, which can adversely impact the rupee and eventually investors, impinging FI flow in India.

B) NO MENTION OF LONG-TERM FDI FLOWS AND GLOBAL COMPETITION:

Both studies stated that there could be possible benefits which India could cherish as a result of US-China trade wars, but they failed to address the possible competition that India is bound to face from Vietnam, Indonesia or Mexico, the nations which are also competing for supply chain relocation from China.

C) NO EXPLORATION OF U.S. DOMESTIC POLITICAL VOLATILITY AND ITS POSSIBLE IMPACT ON INDIA:

Both studies have entirely focused on Trump's foreign policy but have ignored ongoing political instability, such as rising rift and polarisation, potential impeachment proceedings and their possible indirect impacts on the Indian economy. The papers neither address the unpredictability arising from possible frequent changes in Trump's political and economic policies, both domestically and internationally, nor do these papers consider the ways of mitigating the future risks from US policy volatility and policy reversals in the near future.



METHODOLOGY

This study is focused on pure secondary data collection research, which employs past research from peer-reviewed journals and government reports. This study has been adopted. a multi-method approach integrating qualitative type analysis with quantitative data, along with comparative evaluation to dig into the possible implications of Trump's second term on India's economic positioning.

This study strives to construct a data driven and policy-oriented framework by adopting the ways and approaches written below:

A) QUALITATIVE-QUANTITATIVE MIXED-METHOD APPROACH:

This study employs a qualitative-quantitative mixed-method approach in order to have a multi dimensional understanding of the study.

1) Qualitative analysis

This comprises scrutinising expert opinions, discourses presented by the media at both the national and international levels. It allows for to development of a deeper understanding of the courses shaping bilateral relations between India and the US.

2) Quantitative analysis

Numerical and statistical data from economic reports from various sources, trade analysis in monetary terms and FDI trends help quantify the economic impact of U.S. policies on India's exports, capital flows, and currency stability.

By integrating these two approaches, the research aims to provide a balanced and holistic evaluation of the economic and trade consequences of Trump's presidency for India.

B) DATA SOURCES AND COLLECTION:

The study draws its basis from the following secondary data sources:

- Government and organisational reports: Ministry of Commerce and Industry; reports presented by the International Monetary Fund (IMF) and World Bank on data revolving around FDI inflows in India and the Reserve Bank of India (RBI) bulletins.
- Reports presented by Brookings India & Observer Research Foundation (ORF) delve into India's rigorous economic resilience and competitiveness in global trade markets.
- NASSCOM and Bernstein research reports examine US H-1B policies and their projected impacts on India's IT sector



- Expert commentaries in the form of media reports from The Economist, Indian Express, The Hindu, Financial Times, Financial Express, which help to construct an understanding of Trump's stance on economic policies during his second term.

C) ANALYTICAL APPROACH:

Diligent analysis has been done to touch every wall of the study. Analytical tools adopted for this study are as follows:

- Comparative analysis: By taking references from Trump's first term, this study outlines economic policies which Trump intends to adopt and their possible impacts on India. It helps to examine trade policy reversals, such as GSP withdrawal and tariff escalations.
- Sector-wise analysis: Key industries such as IT, pharmaceuticals, digital economy and related industries have been analysed to draw possible consequences on these industries as a result of US protectionist policies.



FINDINGS AND POLICY MEASURES

This section centres its attention towards evaluating the economic impact of Trump's second term (2025-2029) on India, based on trade, FDI, and immigration in detail. This section also points out the major issue that India is likely to counter during Trump's second term and suggests robust policies to mitigate it. Additionally, this section also tries to complete previous literature works by filling the identified gaps present in them.

A) TRADE AND ECONOMIC RELATIONS: INCREASING PROTECTIONISM AND VOLATILITY:

Economic nationalism and protectionist trade policies, which were aggressively followed by Trump, are expected to escalate, creating trade tensions in various economic sectors among both nations. These trade tensions are:

1) Higher Tarriffs :

During his first term, Trump had already invoked 25% tariffs on steel and 10% on aluminium imports from India (2024, Indian Express). There are high chances of expansion in these tariffs, which could hit India's pharmaceuticals, textiles and auto exports.

2) No restoration of GSP :

India lost its Generalised System of Preferences (GSP) status in 2019, impacting more than \$6 billion in duty-free exports to the US, the reversal of which appears unlikely.

3) Reciprocal Tarriffs :

As India is imposing more tariffs on agriculture imports from US (39%) in comparison to much lower tariffs in US (5%) for the same which is around 8 times higher than those in US (2025, The Hindu), Donald Trump's re-election could lead to higher reciprocal tariffs on India's agricultural exports (like basmati rice, spices, and seafood) if it doesn't reduce import duties. Moreover, even for non-agricultural products, India's tariffs are about 4 times higher than the USA's (2025, The Hindu), and the US trade deficit with India in 2024 rose to \$45.7 billion, with an increment of 5.4% from 2023 (2025, India Briefing). So, to reduce this trade imbalance, Trump's policies could also result in the imposition of reciprocal tariffs on non-



POLICY MEASURES :

1) Boost domestic manufacturing:

India's Production Linked Incentive (PLI) schemes in electronics, pharmaceuticals, and semiconductors could drive U.S. investment and promote self-reliance. India can set up industrial corridors with world-class infrastructure to attract global manufacturers.

2) Enhance trade diversification:

The US accounts for 18% of India's total exports, making India vulnerable to tariff changes. India can strengthen economic ties with the EU, ASEAN, and Gulf countries to reduce reliance on the U.S and can diversify exports towards Europe, Southeast Asia and Africa to mitigate US trade risks. It is high time to promote "Brand India" in these regions through trade fairs and diplomatic outreach. Also, it is projected that Trump's pro fossil fuel stance may reduce US-India clean energy cooperation. India should boost energy trade with Middle East nations and with Russia to ensure stability in energy deals.

3) Enhance domestic market strength:

Dependency on export-led growth could be reduced by strengthening MSMEs and startups to drive economic growth, investing in infrastructure building, promoting digital payments and rural development to boost demand and promoting "Make in India" and Atmanirbhar Bharat' initiatives, which can build a strong manufacturing base.

B) FOREIGN DIRECT INVESTMENT (FDI): OPPORTUNITIES AMIDST TRADE DISRUPTIONS:

While trade tensions may escalate between both nations, FDI inflows to India could rise due to supply chain realignments and U.S.-China decoupling. As the study mentioned earlier that India could benefit from the "China one plus" strategy, as firms will then seek alternative locations for them. The following written points could become sources of apprehension for India, slowing down this process:



1. Regulatory barriers:

India's bureaucracy and taxation system could slow down the pace of investments.

2. Competition from Vietnam, Mexico and Indonesia:

Vietnam and Mexico benefit from streamlined business regulations and proximity to the US, attracting companies like Apple and Samsung, while Indonesia is positioning itself as a hub for EVs and semiconductors. Here, challenges against Indians include higher logistics and labour force, complex regulatory frameworks and policy uncertainty.

POLICY MEASURES :

1) Implementation of a single-window clearance system for FDI approvals:

Similar to Vietnam's investment approval model, the Indian government can focus on the establishment of a centralized digital platform where investors can apply for all necessary approvals in one place instead of navigating multiple government agencies. It will eventually reduce approval time for large investments from 6-12 months to under 3 months. Also, it can reduce bureaucratic hurdles through digitising approvals with an AI-powered clearance system, which improves ease of doing business.

2) Expand tax incentives for foreign investors:

In order to attract a large number of investors, India should reduce corporate tax rates for high-priority sectors like semiconductors, electronics, and renewable energy to match or undercut tax rates in ASEAN nations. Also, giving investors incentives like tax holidays and exemptions for the first 5-10 years can lead to the setting up of major projects. Manufacturing and technology firms are setting up in India.

3) Overcome foreign competition:

India can invest in industrial corridors and port efficiency to compete with Vietnam and Mexico; can expand rail and road connectivity to measure industrial hubs, upgrading ports and shipping facilities to enable faster exports. To mitigate risks arising from Indonesia, India can offer higher subsidies and tax benefits for semiconductor and EV plants to attract global chipmakers like Intel and Samsung, strengthening its EV battery and electronic supply chain.



C) IMMIGRATION AND SKILLED WORKFORCE MOBILITY: H-1B VISA CHALLENGES:

Trump's stance on anti-immigration policy has historically hurt Indian IT professionals, and his return could further restrict work visas. Expected changes are:

1. H-1B visa restrictions:

Visa denial rates are likely to rise from 6% to over 30% during Trump's first term, which could worsen under Trump 2.0, following his "America First" policy (2024, Indian Express). According to the National Foundation for American Policy (NFAP), Indian IT firms have reduced H-1B visas. use by 56% over the last decade. Infosys visa applications dropped by 21% between FY15 and FY23, while TCS saw a 75% decline. Wipro also reported a 69% decrease in approved H-1B petitions during the same period (2024, The Economic Times). Thus, an increase in visa rejection rates will eventually affect the STEM (Science, Technology, Engineering, and Mathematics) population of India the most.

2. Higher visa costs & quotas:

U.S. firms may be forced to hire more local talent, raising operational expenses for Indian IT firms like TCS, Infosys and Wipro.

POLICY MEASURES :

1) Leverage U.S. tech industry support:

India should work more with U.S. tech giants (Google, Microsoft, Amazon, and Apple), to make them depend heavily on Indian talent; as a result, these companies will resist stricter H-1B rules. India should ensure that Indian professionals remain critical to U.S. technological and scientific advancements.

2) Develop an alternative "India-specific work visa" model for U.S. companies:

The Indian government can negotiate for a special category of work visas for Indian professionals under U.S.-India Technology and Innovation Partnership. It can also focus on implementing a framework where Indian professionals work for U.S. firms on hybrid models (short-term on site work remote work from India).



D) IMPACT OF TRUMP'S FISCAL POLICIES, INFLATION TRENDS AND FEDERAL RESERVE RATES ON INDIA:

1. Capital outflow and rupee depreciation:

An increase in US interest rates can lead to investors pulling out money from emerging markets like India and park their funds in US Treasury bonds. It will hamper the growth of foreign exchange reserves, which stood at \$626 billion in January 2025 (2025, Financial Express). Also, continuous rupee depreciation against the dollar will make imports expensive, adversely affecting the Balance of Trade.

2. Stock Market Volatility:

NIFTY and SENSEX indices could experience sell-offs as India will possibly counter FII flights from India, which will park their funds in US assets, replicating past crises like in 2018, when investors sold off due to Fed hikes, leading to a 25% decline in Indian stock market inflows.

POLICY MEASURES :

1) Diversification of FER:

India can diversify its foreign reserves by accumulating non-dollar currencies like the Euro, Yen and Yuan, etc. It will help to hedge against increasing currency volatility against the dollar.

2) Trade in domestic currency:

India can expand bilateral agreements in rupees by adopting a currency-swap policy with non-US nations. India should increase offshore rupee bonds to attract global investors, and should promote the use of rupee in energy and defence trade deals. India is already dealing in rupees with 22 nations worldwide (2023, MEA).

E) IMPACT OF US DOMESTIC POLITICS ON TRUMP'S POLICIES TOWARDS INDIA:

1. Congressional opposition:

A democratically controlled Congress could oppose Trump's trade war, limiting fresh trade tariffs.

2. Supreme Court rulings:

Trump's rigorous immigration and trade policies may face legal challenges, increasing the risk of a Supreme Court ruling against some of his policies.



3. Election cycle:

There will be midterm elections in 2026 in the US Republicans will lose seats, and Trump's policies may be diluted or reversed after that. Another possibility is that a democratic win in 2028 may reverse Trump's trade policies, hindering long-term relations.

POLICY MEASURES :

1) Engaging with bipartisan leaders:

Strengthening diplomatic ties with key US lawmakers from both parties and conducting regular trade dialogues to maintain bipartisan support will be effective in the long run.

2) Through Multi-Year Agreements:

India should focus on securing multi-year Ensuring Long-Term Trade Stability trade agreements, ensuring long-term trade stability pacts covering sectors like pharmaceuticals, IT, manufacturing and defence, including strong dispute resolution mechanisms to prevent sudden policy shifts in the US and should strengthen India-US strategic economic dialogue for continuous engagement.

Sector	Key Trump Policies	Potential Negative impact on India	Policy Opportunities/ Recommendation
Pharmaceuti cals	Tarrif escalation,FDA regulatory tightening	Reduced competetiveness in US market;export losses	Accelerate domestic production,diversify export destinations
IT Services	H-1B visa restrictions,local hiring mandates	Workforce mobility curbed; rising operational costs for Indian firms	Negotiate domestic acceleration
Energy	Focus on fossil fuels, withdrawal from climate pacts	Disengagement from green tech collaboration; supply instability	Boost ties with Middle East, Russia for stable energy trade
Manufacturi ng/FDI	“China+1” supply chain shift, deregulation bias	Opportunity from US-China decoupling, but tough competition from ASEAN, Mexico	Build industrial corridors, streamline FDI clearance, expand tax incentives



Digital Economy	Opposition to DST, data localization disputes	Tech company tensions; reduced digital investment	Engage in bilateral tech agreements; maintain regulatory independence
Financial Markets	Fed rate hikes, strong USD	Capital outflows, Rupee depreciation , stock market volatility	Diversify forex reserves, promote Rupee-based trade
Agriculture	Reciprocal Tariffs, pressure on trade balance	Export loss(eg. basmati rice, spices, seafood); tariff retaliation	Negotiate sectoral trade deals; reduce tariff disparity
Defense & Strategic	Quad cooperation, Indo-Pacific strategy	Expansion in defence partnerships; counter-china positioning	Deepen tech transfer frameworks; enhance military cooperation under Quad



IX. CONCLUSION

The study throws light on the imminent economic landscape of the U.S.-India relations under Trump's second term, focusing on both challenges from Trump's protectionist policies and opportunities arising from global trade realignments. Although the inevitable higher tariffs, stricter visa norms and possible financial market volatility can result in a fraught environment for India's export sector, IT industry, and investment climate, on the other hand the country's strong economic position globally, expanding industrial base, and proactive policy measures provide resilience against these policies. The loss of past economic benefits from the US could imbalance trade flows, but India's strengthening relations with the EU, ASEAN, and the Middle East offer a much-needed alternative path to sustaining export growth. Additionally, reducing the reliance of multinational corporations on China can work as a buoy for the manufacturing sector by surging its production, given the fact that India has to improve certain things, such as ease of doing business, infrastructure, and investment incentives.

This paper reflects that India's IT and technology sector is bound to face hurdles due to the tightening of H-1B visa policies and rising labour costs in the US, but its effects can be mitigated by developing a strong base to construct a well-structured digital economy, which has the potential to provide India with long-term and sustainable growth. India can lower its dependence on the U.S by effectively strengthening its domestic innovation ecosystem, being an attraction for global R&D Investments, and empowering its local talent. Moreover, the study underscores how U.S. fiscal policies and Federal Reserve rate hikes may cause huge capital outflows, depreciating the rupee and fluctuating its stock market, yet if India works on building a robust and diverse forex reserve and introduces fruitful financial sector reforms, counter to these disparities is possible.



Despite global uncertainties, India has the potential to leverage its strengths and emerge stronger in the global economy. By adopting ways like domestic industry growth, trade diversification and introducing favourable policies, India can turn challenges into strategic advantages. Undoubtedly, if India effectively balances diplomacy, economic resilience, and industrial growth, it has the potential to not only withstand Trump's policy shifts but also emerge as a key global economic powerhouse in the post-2025 world order.



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