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India's enviable positioning

The second Trump administration has, so far, reprised some the themes of the first – a tough stance on China and a transactional approach to trade and other partnerships. India benefited significantly the first-time round, through increased trade cooperation with the US, investment from American firms, and the broader strategic geopolitical realignment. Given the second Trump administration is currently pursuing a similar agenda – though, this time, with greater boldness – we believe India is set to benefit again, with its advantages being reinforced and amplified. Indeed, the recent visit by US Vice President Vance is indicative of the growing closeness between the US and India, and we expect that a bilateral trade deal will be announced in the coming months.

Positive fundamentals

Despite the uncertainty caused by the steady stream of trade-related announcements, it is clear that the Trump administration is pursuing similar trade policy goals as it did between 2017-21, but with greater vigour and boldness. While the final outcome of the dispute between the US and China is yet to be resolved, difficulties in the economic relationship between these two trading behemoths is likely to be to India's benefit. Indeed, India's advantages here stem from three main areas – its relatively unexposed position, in the global trade system; its unique economic fundamentals; and its political relationships with both the US and other significant global players.

One key difference, in the current context, is that India has relatively low net exports and minimal exposure to general trade disruption. Indeed, net Indian good exports to the US account for less than 2% of its GDP – by far the lowest among major emerging markets.



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While this minimizes the risk of India drawing Trump's ire, this relatively small export dependency also reduces the potential impact of any tariff-related restrictions. Furthermore, these exports are particularly well diversified, with pharmaceuticals making up the largest segment – and US distributors earn significant margins on Indian pharmaceutical exports, with the local producers operating on a low-cost, nominal-margin model, making them less likely to provoke trade frictions.

Alongside this more positive trade positioning, India also enjoys favourable demographics – the world's largest and fastest growing English-speaking workforce, with skills in technology, engineering, and financial services, as well as a large and growing middle class that is providing a lucrative customer base for many American firms – many of which are keen to serve this market

by basing production locally. Indeed, India's evolving legal and political regime means it is quickly growing in attractiveness to foreign investment. For instance, India's developing system of IP enforcement makes it an increasingly preferred offshore destination, and the country currently hosts over 1,700 "Global Capability Centres" for global firms, already making it a hub for research and development, analytics, and a range of back-office functions.

These advantages come alongside some of the lowest corporate tax rates in Asia, as well as policy incentives – such as the "Production-Linked Incentive" (PLI) scheme – that are already seeing many corporates look to India amid Trump's push for "friend-shoring". While Apple is certainly leading the way with 20% of its iPhones already assembled in India and plans to take this further, we expect many other corporates to follow suit in the coming years.

Political closeness

While its trade positioning, demographics, and economic fundamentals are certainly standing India in good stead amid current upheavals, its favourable political regime – both internally and with respect to geopolitical arrangements – is perhaps the most significant differentiator against its key emerging market competitors. Indeed, India's well-established democracy and stable political environment, alongside a transparent and robust legal framework, gives multinational corporations confidence in the rule of law.

Looking at India's global positioning, strategic alliances such as "the Quad" – a diplomatic partnership between the US, India, Japan, and Australia – is bringing India closer to other large democracies, while also encouraging defence, supply chain, and cybersecurity cooperation with these partners.

A proposition growing in attractiveness

Through a combination of felicitous circumstances and judicious policy making, we believe India is clearly set to capitalize on the evolving world order. While it seems that a bilateral trade deal with the US is in the pipeline, even without this, India's economic and political positioning makes it ideally placed to benefit from the restructuring of global trade. Indeed, such a deal will likely accelerate India's emerging position as a manufacturing alternative for US companies seeking to diversify their supply chains. While many investors are eagerly awaiting the announcement of closer trade ties between India and the US, we believe the case for India is already a strong one, and closer ties with the US will only improve India's already enviable economic and trade position.

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