India's Trade Balance and Rupee Risks Amid US Tariffs

Analysis highlights India's fragile trade balance, rupee risks, and diversification need due to US tariffs and AI threats to exports.

This analysis examines the challenges India faces in maintaining its trade surplus with the U.S. and managing its structural trade deficit with China.

KEY EXAM POINTS

- India's **trade surplus** with the **U.S.** is crucial as it offsets a structural **trade deficit** with **China**.
- Heavy **U.S. tariffs** and the potential impact of **AI** on **exports** could put this surplus at risk.
- This situation could intensify pressure on the **Indian rupee**.
- India should treat the **tariff threat** as a wake-up call to **diversify** its **export markets and products**.
- Finance Minister **Nirmala Sitharaman** stated that **India-U.S. trade talks** have reached a "**plateau**".
- Further **concessions** from either side in **India-U.S. trade talks** might be difficult.

DID YOU KNOW..!?

Trade Balance refers to the difference between a country's **exports** and **imports** of goods and services.

A **Trade Surplus** occurs when a country's total value of **exports** exceeds its total value of **imports**.

A **Trade Deficit** occurs when a country's total value of **imports** exceeds its total value of **exports**.

Rupee Depreciation signifies a fall in the value of the **Indian Rupee** against major **foreign currencies**.

India's **Foreign Trade Policy (FTP) 2023** aims to boost the country's overall **exports** to **$2 trillion** by **2030**.

The **World Trade Organization (WTO)**, established in **1995**, is an intergovernmental organization regulating **international trade**.

Balance of Payments (BoP) is a record of all **economic transactions** between a country and the rest of the world over a period.

A **Current Account Deficit (CAD)** arises when a country's total **imports** of goods and services exceed its total **exports**, including net income from abroad.

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India's trade surplus with the U.S. is crucial for offsetting its deficit with China.

Syllabus Relevance: High

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