Delhi Policy Group
Advancing India's Rise as a Leading Power

# ECONOMIC SECURITY AND RESILIENCE REVIEW

## APRIL 2025


*Author*

V.S. Seshadri



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**Delhi Policy Group**
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## ABOUT US

Founded in 1994, the Delhi Policy Group (DPG) is among India's oldest think tanks with its primary focus on strategic and international issues of critical national interest. DPG is a non-partisan institution and is independently funded by a non-profit Trust. Over past decades, DPG has established itself in both domestic and international circles and is widely recognised today among the top security think tanks of India and of Asia's major powers.

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*The views expressed in this publication are those of the author and should not be attributed to the Delhi Policy Group as an Institution.*

## Cover Images:

*US President Donald Trump holds up a chart while speaking during a "Make America Wealthy Again" trade announcement event in the Rose Garden at the White House, in Washington D.C., on April 2, 2025. Source: X/@realDonaldTrump*
*US Vice President JD Vance met Prime Minister Narendra Modi for a closed-door meeting, on April 21, 2025. Source: X/@JDVance*
*Chinese President Xi Jinping met with Vietnamese Prime Minister Pham Minh Chinh at the headquarters of the Communist Party of Viet Nam (CPV) Central Committee during his diplomatic tour to Southeast Asia, on April 14, 2025. Source: Ministry of Foreign Affairs of the People's Republic of China*



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by

V. S. Seshadri

## Introduction

On April 2, 2025, President Donald Trump decided to unilaterally sidestep his country's multilateral commitments and announced 'reciprocal tariffs' for its trading partners based on the level of bilateral trade surpluses they had with the United States in the year 2024.

This development marks a foundational change to US compliance with the WTO's core principle of non-discrimination. Consequently, it also marks a necessary reset in the economic security assessments of its partner countries. The subsequent 90-day pause that was announced on April 9, after a turbulent week in the world's stock exchanges and other financial markets, has no doubt given a reprieve even as a baseline additional tariff of 10% continues for all imports into the US apart from the steel and auto tariffs.

An analytical brief by this author on April 14 had examined how the newly imposed tariffs, and those temporarily paused, may affect India and how New Delhi should seek to rapidly progress its Bilateral Trade Agreement that is under negotiation with the US.

This ESRR provides updates on the India front, covering further developments resulting from the recent visit of the US Vice-President J.D.Vance to India and the visit of an Indian negotiating team to Washington DC for the BTA.

This issue also goes into some detail on how some of the East and South East Asian countries, as well as the EU, are responding to the US tariffs and are moving forward in terms of possible negotiations with that country.

China, however, took the retaliation route which drew counter-retaliatory actions from the US side rather than a pause. With China responding also to counter retaliation, this cycle spiralled, with China finally ending up with a 145% tariff for its products and US items facing a 125% tariff in the China market. China has also, as part of its retaliatory actions, added further items to its list of critical minerals subject to export licensing/restrictions.

President Xi Jinping's visit to three ASEAN countries, Vietnam, Malaysia and Cambodia, during the month was put to use by China in projecting the unfairness of tariff bullying by the US, and emphasising the need for Asian unity in countering such acts of unilateralism and for upholding multilateralism. A similar theme was also much in evidence during the visit to Beijing by the Spanish Prime Minister Pedro Sanchez.

This issue of ESRR also reports in some detail on two new initiatives taken by President Trump relating to deep sea mining and towards levy of a shipping tax. While these are purportedly intended to deal with China's dominance in these sectors and incentivise increased US industry participation in them, they could also collaterally impact other countries. The deep sea mining initiative entirely sidesteps the role of the International Seabed Authority which is the global body for regulating deep sea mining outside of territorial waters. The shipping tax proposal also proposes certain fees on the maritime services of other nations in order to incentivise US ship building, including of car carriers and LNG vessels.

Also discussed in this report are some of the details of the US-Ukraine agreement on critical minerals.

Finally, the ESRR briefly dwells on the successful conclusion of India's FTA with the UK, which has just been announced. Another notable development was the statement of UK's Secretary of State for Business and Trade, Jonathan Reynolds, that China was no longer welcome in the UK's steel sector, after the actions of Jingye Group forced Britain to pass emergency legislation.

## Trump's unilateral tariffs

Following the announcement of tariffs on imports of steel, aluminium, autos and auto parts in March 2025, President Trump announced with great fanfare his 'Reciprocal Tariffs' on April 2, marking a radical departure from US multilateral commitments under the WTO and piling further pressure on the trading world. These were imposed on all countries irrespective of whether they were allies, FTA partners, friendly nations or economic rivals of the US. They were also applicable on all products, but for an exempted list. They comprised a baseline tariff of 10% applicable on all countries from April 5, except for Canada and Mexico. Besides, countries that ran significant trade surpluses with the US were handed out a higher reciprocal tariff effective from April 9.

These tariffs were computed based on a simple formula: determine each country's trade surplus with the US as a percentage in relation to total imports from that country during the calendar year 2024, as per US trade figures; half that figure is that country's reciprocal tariff. Thus for India, which had a trade surplus of US$ 45.66 bn in 2024, as against imports from it into the US of US$ 87.42 bn, this ratio in percentage terms came to 52%. Half of this ratio, 26%, was the reciprocal tariff determined for India. And so on for others. The highest reciprocal duty of 50% was imposed on Lesotho. Box 1 gives the reciprocal tariffs announced for several countries.

## Box 1

**Reciprocal tariffs announced by the Trump Administration for different countries**

President Trump's 'reciprocal tariffs' ranging from 10 to 50% was computed using a simple formula. The applicable tariff for each country was 50% of the percentage ratio of that country's trade surplus with the US in relation to total imports from that country during the calendar year 2024. Countries whose trade with the US was in deficit and countries whose surplus trade with the US did not exceed 20% in 2024 were accorded a baseline tariff of 10%. Applying the foregoing criteria 'Reciprocal Tariffs' that were assigned to some of the key economies could be categorised thus

**Baseline tariff of 10%:** Australia, Egypt, Turkey, Singapore, all GCC countries, the UK and most Latin American countries. Two of India's neighbours, Nepal and Maldives, also figured in this bracket.

**Tariff level of 11 to 20% :** Norway (15), Israel (17), Philippines (17), Jordan(20) and the EU (20). Mexico (17) should have figured under this bracket, but it is getting an easier dispensation for its USMCA compliant goods.

**Tariff level of 21 to 30%:** India (26) figures at the third level of 21 to 30% reciprocal tariffs along with Japan (24), Malaysia (24), South Korea (25), Pakistan (29) and South Africa (30).

**Tariff level of 31-40%**: Switzerland (31), Taiwan (32), Indonesia (32), China (34), Bangladesh (37) and Serbia (37). Goods from China will, however, be facing retaliatory tariffs applied on it subsequently.

**Tariff level of of 41-50%:** Sri Lanka (44), Myanmar (44), Vietnam (46), Laos (48), Cambodia (49) and Lesotho (50).

The 'reciprocal tariffs' became effective on April 9. But just hours after they came into force, and following a disastrous week of turmoil in the financial markets in the US and elsewhere after the April 2 announcement, the 'reciprocal tariffs' were paused[1] by President Trump for most countries for 90 days, i.e. till July 9, 2025. The baseline additional tariff of 10% will, however, continue to apply for all. Only in the case of China which retaliated promptly, the US has further hiked the cumulative tariff level to 145%, while China has escalated its response to 125% tariffs for the US. But even with the tariff pause, as per one estimate, the combined tariffs enacted by the US has rapidly raised the country's weighted-average tariff rate to its highest level in the past 100 years, from around 3 percent at the start of 2025 to more than 20 percent as of April 11, 2025.

The US has, however, declared that it was open to reaching deals with third countries aimed at forcing reduction in those countries' tariff and non tariff barriers on US products, increasing market access for US exports and reducing the trade imbalances, which will then enable the US to lift the reciprocal tariffs. While the imposition of reciprocal tariffs is contrary to WTO rules, it certainly raises the leverage for the US in such negotiations considering that it is the world's largest import market. As per the US administration, over 70 countries have reached out to the US offering to negotiate.

The key objectives of the Trump administration in imposing these tariffs and what may be the intended goal in terms of resetting the rules relating to the multilateral trading system have all been already discussed by this author, along with possible implications for India and how India could approach the negotiation of the Bilateral Trade Agreement (BTA) with the US in a separate brief[2]. They will therefore not be repeated here. What will be detailed, however, are the subsequent developments relating to the BTA discussions with India, as also how different countries of the world are taking forward their respective negotiations with the Trump administration. China's retaliatory actions will also be briefly outlined.

Before that, however, it would be important to be clear what are some of the sectoral exemptions applicable in respect of the application of reciprocal tariffs. Similarly, there were also certain exemptions relating to auto parts that were announced on April 29. These details may be seen in Box 2.

[1] https://www.whitehouse.gov/presidential-actions/2025/04/modifying-reciprocal-tariff-rates-to-reflect-trading-partner-retaliation-and-alignment/

[2] https://www.delhipolicygroup.org/uploads_dpg/publication_file/the-trump-tariffs-and-india-5301.pdf

## Box 2

### Tariff Exemptions

### Products exempted so far from application of 'Reciprocal Tariffs'

- Certain minerals and ores;
- Fuel items including some refinery products;
- Certain inorganic and organic chemicals including rare earths;
- Pharmaceuticals;
- Certain dyes and pigments;
- Certain polymers;
- Some rubber items;
- Timber items;
- Books and printed matter;
- Certain precious metals in bullion form;
- Some ferroalloys;
- Copper and copper items;
- Zinc, tin and a few other metals; and
- Semiconductors and IC chips

### Certain exemptions from auto tariffs for US car producers importing auto parts

The 25% tariff on imported cars will continue and a new 25% tariff imposed on autoparts will go into effect on May 3 but with a provision allowing for reimbursements for domestic car producers in the US which are importing car parts. The maximum reimbursement will be 3.75% of the value of the domestically produced cars. The cap will decrease to 2.5% in the second year and phased out entirely thereafter.

Automakers will also be subject to only one tariff, the highest tariff with whatever they may be importing. That means they could end up paying a 25% tariff on a car part and not the additional tariff of 25% tariffs on the steel and aluminium used in them. Also cars containing a combined 85% of parts that comply with US-Canada-Mexico agreement and produced domestically effectively will not face any tariffs.

President Trump said the exemptions will give US car companies 'a little bit of a break' while automakers worked to bring more manufacturing capabilities back to the US. 'I want them to make their parts here', he added.

## Discussions during US Vice President's visit to India

US Vice President J.D.Vance visited India from April 20-24. In his meeting with Prime Minister Modi on April 21, the BTA also came up for discussion. The official Press release, however, merely stated that the two leaders 'welcomed the significant progress in the negotiations'.

In a speech[3] that Vice President Vance delivered at a think tank forum in Jaipur on April 22, he formally announced that India and the US had finalised the terms of reference for the BTA negotiations, which was a vital step. He said both governments were hard at work on a trade agreement built on shared priorities like creating new jobs, durable supply chains and achieving prosperity for our workers.

It was interesting that on the same day, USTR Jamieson Greer, while welcoming the agreement on the terms of reference during the Vice President's visit, added[4] "There is serious lack of reciprocity in the trade relationship with India. These ongoing talks will help achieve balance and reciprocity by opening new markets for American goods and addressing unfair practices that harm American workers. India's constructive engagement so far has been welcomed and I look forward to creating new opportunities for workers, farmers, and entrepreneurs in both countries." A fact sheet he released[5] on the same day also recalled that India's average applied tariff is 17%, among the highest of the world's largest economies, while the US' average applied tariff is 3.3%.

Moreover, the annual Special 301 Report of the USTR on the adequacy and effectiveness of U.S. trading partners' protection and enforcement of intellectual property (IP) rights, that was released on April 29, has also retained India in the Priority Watch list along with Argentina, Chile, China, Indonesia, Mexico, and Russia. All these are indicators of likely pressures India could come up against when the negotiations reach the stage of examining specific demands and offers.

### Discussions during Indian Chief negotiator's visit to the US

The Indian Commerce Ministry gave a brief update after the Chief negotiator from the Indian side, Commerce Secretary designate Rajesh Agrawal, and his

[3] https://in.usembassy.gov/vice-president-jd-vance-remarks-on-the-u-s-and-indias-shared-priorities/
[4] https://ustr.gov/about/policy-offices/press-office/press-releases/2025/april/ambassador-greer-issues-statement-trade-negotiation-progress-india
[5] https://ustr.gov/about/policy-offices/press-office/fact-sheets/2025/april/fact-sheet-us-india-establish-terms-reference-bilateral-trade-agreement

team of officials, held talks in Washington from April 23-25. The team discussed[6] the pathway for concluding the first tranche of BTA by fall of 2025, including through opportunities for early mutual wins. Both sides also had fruitful discussions on wide-ranging subjects covering tariff as well as non-tariff matters. While productive sectoral expert level engagements have taken place through the virtual format, in-person sectoral engagements are planned from end May. There was also some talk about about concluding an 'early tranche' by July 8, the date by when Washington's current pause on country-specific reciprocal tariffs will expire.

## Optimism at a high level

Meanwhile, US Treasury Secretary Scott Bessent, has remarked on April 28 that a deal with India may be one of the first to be signed. US President Trump too struck an optimistic note on April 29, when he said the bilateral trade deal with India was "coming along great" and that the US may have a deal soon.

## Tariff talks between Japan and the US

Japan's minister in charge of economic revitalization, Ryosa Akazawa, who has been appointed the Chief negotiator from Japan's side to hold discussions with the US lead, Treasury Secretary Scott Bessent, has already made two visits to Washington during the month of April to move forward the discussions. A key concern is over the impact of auto tariffs on bilateral trade, but there are also other aspects. During his first round meeting earlier in April, even President Trump briefly joined in the discussions. As per reports[7], after the second round meeting held on May 1 between the two sides, they have now agreed to hasten tariff talks after making some progress in laying the groundwork for expanding bilateral trade with the aim of reaching a 'mutually beneficial deal' as early as June. Akazawa said they had managed to deepen discussions on topics such as nontariff barriers and expanding bilateral trade and economic security cooperation, although he stopped short of disclosing details. Intensive ministerial discussions are now to follow from mid-May onwards. Minister Akazawa said that neither side brought up the issues related to defense spending or currency rates during the meetings, which were also joined in by US Commerce Secretary Lutnick and USTR Greer.

Another report quoted Akazawa as stating[8], after his return to Japan, "We have been telling them (US) that the entire series of tariffs -including on cars, auto

[6] https://pib.gov.in/PressReleasePage.aspx?PRID=2125141
[7] https://english.kyodonews.net/news/2025/05/de3a050d81ef-update2-japan-us-hold-2nd-round-of-tariff-talks-with-focus-on-farm-sector.html?phrase=marx&words=
[8] https://www.japantimes.co.jp/business/2025/05/03/tariff-envoy-tokyo-insist/

parts, steel and aluminium, as well as reciprocal levies are regrettable and have strongly insisted they be revised". "Unless this demand is acknowledged in an ultimate package, there is no way we can agree to a deal" he added. Earlier, Prime Minister Shigeru Ishiba also reiterated to reporters that "Japan and the United States remain far apart, and unable to find common ground yet."

## US-South Korea tariff talks

South Korean Finance Minister Choi Sang-mok and its Trade, Industry and Energy Minister Ahn Dukgeun met[9] with U.S. Treasury Secretary Scott Bessent and U.S. Trade Representative Jamieson Greer on April 24 in Washington DC for talks on finding a solution to the tariff issue. Unlike certain other countries, Republic of Korea is already a party to a bilateral FTA with the US, which was also renegotiated during the Trump-1 administration. Yet, it has been accorded a reciprocal tariff of 25%.

Minister Choi told reporters after talks in Washington that further discussions will focus on four categories: tariff-and non-tariff measures; economic security; investment cooperation; and monetary policies. Minster Ahn proposed measures such as a contribution by both sides to the reconstruction of the U.S. shipbuilding industry, sustainable and balanced South Korea-U.S. trade, and strengthening South Korea's energy security. He requested reciprocal and item-specific tariff exemptions for South Korea. Both sides decided to continue holding working-level meetings and more high-level discussions in the future.

Though South Korea has been temporarily spared the "reciprocal" tariffs, the country still faces a 25% levy on steel and aluminum imports to the United States, as well as another 25% on automobile imports, which are some of the country's largest exports to the U.S. But considering that South Korea is to hold its snap elections on June 3, the Vice Minister for Trade, Industry and Energy Park Sung Taek has ruled out any decision on a trade package by late May or early June.

## Malaysia's discussions with the US

Malaysia's Trade Minister Tengku Zafrul Aziz visited the US from April 23-27 and said Malaysia was open to negotiate with the US on non-tariff barriers and reducing the bilateral trade deficit, and will explore a bilateral trade agreement. He met with US Commerce Secretary Howard Lutnick and the USTR Jamieson

[9] https://www.cnbc.com/2025/04/25/south-korea-calls-for-calm-orderly-discussion-in-us-trade-talks.html

Greer. While stating that Malaysia will not take retaliatory steps, he said "We will continue to keep the momentum by following on urgently some of the key issues discussed within the 90-day pause period". Malaysia has appointed its Deputy Secretary General Mastura Ahmed Mustafa as the lead negotiator for the talks while the US side has named an Assistant USTR for this purpose[10].

## Vietnam's high level exchanges with the US

During a key conversation between Vietnam's Communist Party chief To Lam and President Trump on April 4, the former reportedly conveyed Vietnam's readiness to remove all tariffs on US goods for the US administration to withdraw the newly imposed levies. This was followed up immediately by a visit to Washington from April 9-11 by Vietnam's Deputy Prime Minister Ho Duc Phoc, who held separate discussions with the US Treasury Secretary Scott Bessent, US Commerce Secretary Howard Lutnick and USTR Jamieson Greer[11]. Both sides agreed to launch negotiations, and the Vietnamese Minister of Industry and Trade Nguyen Hong Dien also held a phone call with Greer on April 24 to officially initiate the process.

While it is not clear when these negotiations may actually commence, there was a discordant note earlier struck by Peter Navarro, who is an adviser to President Trump, who said on April 7 that Vietnam's offer to remove tariffs on US goods would not suffice as it was the non-tariff cheating that mattered which included Chinese goods being routed through Vietnam as also issues related to IPR and VAT. Vietnam is one of the world's most trade dependent economies, with its exports in 2023 accounting for more than 87% of its GDP. Vietnam also had a US$ 123.5 bn surplus trade with the US in 2024, the fourth largest imbalance after China, the EU and Mexico.

## Indonesia-US discussions

The Indonesian co-ordinating minister for economic affairs, Airlangga Hartarto, met with US Secretary for Commerce Howard Lutnick on April 17 in Washington DC. The Indonesian side has reportedly pledged that Jakarta will not retaliate against Trump tariffs, but would seek to negotiate and import more US products such as wheat, cotton, oil and gas. He said the negotiations over several negotiating rounds will conclude in 60 days.

[10] https://www.malaymail.com/news/malaysia/2025/04/30/us-trade-talks-positive-as-miti-begins-tariff-negotiations-with-cabinet-green-light-fahmi-says/175066#google_vignette

[11] https://en.baochinhphu.vn/general-secretary-special-envoy-meets-us-trade-representative-111250410070338772.htm

The Indonesian Finance Minister Sri Mulyani further revealed[12] on April 25 five possible deals with the US including agreements on a) Adjustment of tariffs for US products; b) Increasing imports from the US of oil and gas, machinery and agricultural products not produced locally; c) Taxation and customs procedures; d) Non-tariff measures including local content requirements, import quotas, deregulation, and technical product standards; and e) Trade remedies to manage surge in imports.

## European Union and the Trump tariffs

The European Union, regarded as an ally of the US, was also hit with a 20% reciprocal tariff. By 9th April, when these tariffs came into force, the EU had finalised its retaliation levies ranging from 10-25% on about US$ 23 bn of US imports. However, after the US decision to pause tariffs for 90 days, the EU has also decided to defer retaliation.

EU Commission President Von der Layen had remarked after the announcement of the reciprocal tariffs by the US on April 2 that it was a major blow to the global economy. However, once the pause was announced, she welcomed it and said European Union remains committed to constructive negotiations with the United States with the goal of achieving frictionless and mutually beneficial trade. She has also been offering to negotiate a 'zero for zero' tariff pact for industrial goods. But on this Mr.Peter Navarro, Trump's trade adviser, responded that the EU will need to lower its non-tariff barriers, including those created by value added taxes, if it wanted to reach a deal to lower US tariffs.

More recently, the EU Commissioner for Trade and Economic Security Maros Sefcovic has been reported[13] to have said that 'certain progress' towards a trade deal with the US was being made which would involve EU buying Euro 50 billion more of US products. But he also suggested that the Trump administration would need to abandon its 10% across the board tariffs on European goods as a precursor to any trade arrangement.

## China's retaliatory actions against US Trump tariffs

China has imposed a retaliatory tariff of 125% on all US goods with effect from April 11, after the two countries went through some retaliation and counter retaliation moves[14]. China's finance ministry further stated "Even if the US

[12] https://www.techinasia.com/news/indonesia-strikes-5-deals-to-end-trumps-tariffs
[13] https://edition.cnn.com/2025/05/01/business/european-union-trade-deal-trump-tariffs
[14] https://www.cnbc.com/2025/04/11/china-strikes-back-with-125percent-tariffs-on-us-goods-starting-april-12.html

continues to impose higher tariffs, it will no longer make economic sense and will become a joke in the history of world economy". The statement noted that "With tariff rates at the current level, there is no longer a market for US goods imported into China," adding that "if the US government continues to increase tariffs on China, Beijing will ignore."

However, later during the month, China is known to have quietly created a list of items (some reports have put the list as 131 in number) which will be exempt from the tariffs including select pharmaceuticals, microchips and aircraft engines. There was no announcement in this regard but concerned companies have been informed of the exemption.

As a further counter measure to US tariffs, China has expanded its export restrictions on strategic critical minerals[15]. On April 4, China placed seven categories of medium and heavy rare earth elements under export control including samarium, godolinium, terbium, dysprosium, lutetium, scandium and yttrium related items. These minerals are essential for producing high performance permanent magnets used in defense industries, electrical vehicles, clean energy technologies etc.

These come on top of already existing restrictions on several other critical minerals. In December 2024, China had banned exports of antimony, gallium and germanium to the US in response to US tightening restrictions on China's semiconductor sector. In January this year restrictions were placed on the export of advanced battery and minerals processing technologies including those used to refine gallium and lithium. In February, shortly after the US imposed 10% tariffs on Chinese goods on account of fentanyl trafficking, licensing requirements were introduced for tungsten, tellurium, bismuth, indium and molybdenum. These metals are again vital for electronics and clean energy technologies.

## China's charm offensives towards South East Asia continue

China's President Xi Jinping also used his visits to Vietnam, Malaysia and Cambodia from April-14-18 to call upon these countries to have deeper ties with China and to resist 'unilateral bullying'. This was seen as oblique reference to Trump's announcement of reciprocal tariffs, which were particularly harsh on these export oriented economies. While President Xi also appealed to 'Asian

[15] https://www.reuters.com/world/china-hits-back-us-tariffs-with-rare-earth-export-controls-2025-04-04/

unity', most of the countries in the region have expressed interest in separately negotiating with the US for being spared the reciprocal tariffs.

Among the host leaders that President Xi met, it was the Prime Minister of Malaysia, Anwar Ibrahim, who appeared most vocal about US actions, even if this was done without naming any country. At the state dinner that was hosted for President Xi, PM Anwar criticised[16] 'some nations' for abandoning 'the principle of shared responsibility' while 'China's global initiatives offer a new lease on hope'. Without naming the US, Anwar continued, that what we are witnessing today 'is not an honest reckoning with the imperfections of globalisation but a retreat into economic tribalism'. 'Market acces is being weaponised' under the 'weight of arbitrary disruption and unilateral whim'. He pointed out that China in contrast has been a 'rational, strong and reliable partner' and Malaysia 'values this consistency'.

## Spanish PM's visit to China

President Xi Jinping met with Spanish PM Pedro Sanchez in Beijing on April 25, in what was the latter's third visit to China in three years. The Chinese leader took the opportunity to make overtures to Europe to 'jointly safeguard economic globalisation' and to 'jointly reject unilateral and bullying actions'. He further stated that China and the EU should step up to their international responsibilities and defend not only their own legitimate rights and interests but also international fairness and justice and international rules and order'.

In response, the Spanish leader agreed that there were no winners in trade wars and noted that EU was committed to open and free trade, uphold multilateralism and opposes unilateral tariff imposition. He further stated that Spain and the EU would like to enhance communication and coordination with China to safeguard international trade order and jointly meet international challenges like climate change and poverty alleviation[17].

## IMF and WTO downgrade growth forecasts due to Trump tariffs

The International Monetary Fund has reduced its forecast for growth of global economy to 2.8% down from its earlier estimate of 3.3% due to a sharp increase in tariffs and uncertainty[18]. For India, the growth outlook is pegged relatively

[16] https://www.kln.gov.my/web/guest/-/speech-by-the-honourable-dato-seri-anwar-ibrahim-prime-minister-of-malaysia-at-the-state-banquet-in-honour-of-his-excellency-xi-jinping-president-of-t
[17] https://www.fmprc.gov.cn/mfa_eng/xw/zyxw/202504/t20250411_11593363.html
[18] https://www.imf.org/en/Blogs/Articles/2025/04/22/the-global-economy-enters-a-new-era

stable at 6.2% this year which is supported by private consumption, particularly in rural areas, but this rate is 0.3% lower than the estimate in January this year.

The WTO also released its outlook for global trade[19], which it said sharply deteriorated due to a surge in tariffs and trade policy uncertainty. Based on the measures that were in place on April 14, including suspension of reciprocal tariffs by the US, the volume of merchandise trade was now expected to decline by 0.2% in 2025 before posting a modest recovery of 2.5% in 2026. The new estimate is nearly 3 percentage points lower than it would have been without recent policy shifts and marks a significant reversal from the start of the year. If enacted, reciprocal tariffs would reduce merchandise trade by an additional 0.6% posing particular problems for LDCs. A spreading of the trade policy uncertainty would shave off a further 0.8%.

## Trump initiative to boost deep sea mining

President Trump signed an Executive Order on April 24 to speed up deep sea mining for exploration of critical and strategic minerals[20]. The order stated that US had a core national and economic security interest in maintaining leadership in deep sea science and technology and that the nation must take immediate action to accelerate the responsible development of sea bed mineral resources, quantify the nation's endowment of sea bed minerals, reinvigorate American leadership in associated extraction and processing technologies and secure supply chains for its defense, infrastructure and energy sectors. One of the stated objectives of the policy is also to counter China's growing influence over sea bed mineral resources and to ensure that US companies are well positioned to support allies and partners interested in developing sea bed minerals responsibly in their internal jurisdictions within their EEZ.

The Executive Order, inter alia, further gives directions to various US national agencies as below:

- The National Oceanic and Atmospheric Administration (NOAA) in consultation with other departments to expedite the process for reviewing and issuing seabed mineral exploration licenses and commercial recovery permits in areas beyond national jurisdiction under the Deep Seabed Hard Mineral Resources Act, consistent with applicable law.
- The Secretary of Interior establish an expedited process for reviewing and approving permits for prospecting and granting leases for exploration,

[19] https://www.wto.org/english/res_e/booksp_e/trade_outlook25_e.pdf
[20] https://www.whitehouse.gov/presidential-actions/2025/04/unleashing-americas-offshore-critical-minerals-and-resources/

development, and production of seabed mineral resources within the United States Outer Continental Shelf under the Outer Continental Shelf Lands Act, consistent with applicable law.

- The Secretary of Commerce, in coordination with other departments, to engage with key partners and allies to offer support for seabed mineral resource exploration, extraction, processing, and environmental monitoring in areas within the national jurisdictions of those partners and allies, including by seeking scientific collaboration and commercial development opportunities for United States companies, and to develop a prioritized list of countries for engagement.

Analysts have commented that the EO seeks to address the entire polymetallic module supply chain from mapping and exploration to extraction and processing and sends a strong signal to the private sector that the US government was committed to develop deep sea mining as a new frontier. At the same time, the EO essentially bypasses the International Seabed Authority (ISA) to allow US companies to gain access to mining resources in international waters without consultation or permission from the UN body.

## Trump's Shipping Tax proposal to boost US shipbuilding

This proposal[21] is a follow-up to the Section 301 investigation initiated by the USTR under the Biden Administration on April 17, 2024 of China's acts, policies, and practices targeting the maritime, logistics, and shipbuilding sectors for dominance. The investigation determined that China's targeting of the maritime, logistics, and shipbuilding sectors for dominance had undercut competition and taken market shares with dramatic effect: China's ship building market share grew from less than 5% of global tonnage in 1999 to over 50% in 2023; China's ownership of the commercial shipping fleet grew to over 19% as of January 2024; China's control of production of ship to shore cranes exceeded 70%, inter-modal chassis by 86% , and shipping containers by 95% while also increasing shares of other components and products.

The investigation has deemed these as unreasonable and restricted U.S. commerce and thus actionable. As a follow up to this, the USTR under the Trump administration has now announced the following proposals to deal with the situation and incentivise US ship building activity. The proposals are to be further discussed in the coming months including in a Public Hearing before finalisation :

[21] https://ustr.gov/sites/default/files/files/Press/Releases/2025/301 Ships - Action FRN 4-17.pdf

- **Fees on Chinese vessel operators and vessel owners**: Beginning October 14, 2025, a fee will be imposed on the entry of a Chinese owned or operated vessel in a US port at a rate of US$ 50 per net ton. The rate will be increased beginning in April 2026, plateauing at US$ 140 per net ton in April 2028;
- **Fees on Chinese built vessels**: Beginning October 14, 2025, a fee will be imposed on the entry of a Chinese built vessel into a US port at a rate of US$ 18 per net ton. The rate will be increased beginning in April 2026, plateauing at US$ 33 per net ton in April 2028. In the case of container vessels an alternate rate will be imposed (if higher than the tonnage rate) calculated on the basis of containers discharged: starting at US$ 120 per container and plateauing at US$ 250.
- **Fees on foreign built car carriers** based on their capacity in order to incentivise US built carrier vessels;
- **Imposition of certain restrictions on foreign vessels carrying US LNG** to incentivise US built LNG vessels. These restrictions will not be applied for 3 years but will increase incrementally over the next 22 years;
- **Certain exceptions will apply** if the vessel is US-owned or vessels entering the continental US from a voyage of less than 2000 nautical miles and certain specialised vessels.
- There are also certain **fees applicable on the maritime services of foreign built carriers to be applicable on a non-discriminatory basis.** In addition USTR is also proposing **additional tariffs** on certain ship-to-shore cranes on a non-discriminatory basis and proposing additional tariffs on certain cargo handling equipment of China.

## US-Ukraine minerals agreement signed

The US Treasury Secretary Scott Bessent and the First Deputy Prime Minister of Ukraine Yulia Svyrydenko signed a long term strategic minerals agreement in Washington DC on April 30, which appeared more favourable to Ukraine than earlier versions. Under the deal, as per reports available[22], a joint US-Ukraine Reconstruction Investment Fund is to be established jointly by the two countries on a 50-50 partnership basis. Ukraine's contribution to the fund will consist of 50% of revenues generated from the exploitation of new minerals, oil and gas projects via new licenses that may be issued. The contribution of the US will be financial as well as its future military assistance to Ukraine in the form of weapons and ammunition or for training that will henceforth get counted on this score(past military assistance is excluded). US will also support

[22] https://www.cfr.org/article/whats-deal-trump-ukraine-mineral-agreement

facilitation of its public and private investments into Ukraine's minerals resources.

Under the deal, Ukraine will maintain complete ownership over its natural resources and infrastructure. But US acquires a right for offtake of future minerals resources on market based commercial terms. The funds profits and revenues are also to be reinvested into Ukraine during the first ten years of the agreement.

The agreement is also seen as harsher towards Russia compared to earlier postures of the Trump administration. It refers to 'Russia's full scale invasion' and further adds 'no state or person who financed or supplied the Russian war machine will be allowed to benefit from the reconstruction of Ukraine'. It also keeps the door open for Ukraine's potential membership of the European Union'. It however does not include any explicit security guarantees from the US towards Ukraine.

Some analysts have opined[23] that the agreement reflects the transactional approach of the Trump administration towards mineral diplomacy and may serve as a template for similar deals such as the US-Democratic Congo cooperation framework.

## India-UK FTA deal concluded

The India-UK FTA, which has been under discussion for over three years, was successfully concluded on May 6, along with an agreement to conclude a Convention on Double Contribution. It is expected that the British Prime Minister could visit India soon when the agreement may be formally signed. Negotiations on the bilateral investment agreement are, however, still continuing.

Prime Minister Narendra Modi has called the FTA between India and the United Kingdom a "landmark" deal that will boost trade, investment, innovation, and job creation in both economies, while opening new business opportunities, strengthening economic ties, and deepening people-to-people connections.

Some of the key highlights of the agreement are the following as put out in a Press release[24] by the Indian government.

[23] https://www.csis.org/analysis/what-know-about-signed-us-ukraine-minerals-deal
[24] https://pib.gov.in/PressReleasePage.aspx?PRID=2127321

- The FTA ensures comprehensive market access for goods, across all sectors, covering all of India's export interests. India will gain from tariff elimination on about 99% of the tariff lines covering almost 100% of the trade value offering huge opportunities for increase in the bilateral trade between India and the UK.
- The FTA opens up export opportunities for sectors such as textiles, marine products, leather, footwear, sports goods and toys, gems and jewellery and other important sectors such as engineering goods, auto parts and engines and organic chemicals.
- India will benefit from one of the most ambitious FTA commitment from the UK in **Services** such as IT/ITeS, financial services, professional services, other business services and educational services, opening up new opportunities and jobs.
- The FTA eases mobility for professionals including Contractual Service Suppliers; Business Visitors; Investors; Intra-Corporate Transferees; partners and dependent children of Intra-Corporate Transferees with right to work; and Independent Professionals like yoga instructors, musicians and chefs.
- India has secured significant commitments on digitally delivered services for Indian service suppliers, specially in professional services such as architecture and engineering, computer related services and telecommunication services.
- The exemption for Indian workers who are temporarily in the UK and their employers from paying social security contributions in the UK for a period of three years under the Double Contribution Convention will lead to significant financial gains for the Indian service providers and enhance their competitiveness in the UK market that would create new job opportunities as well as benefit large number of Indians working in the UK.
- India has ensured that non-tariff barriers are suitably addressed to ensure free flow of goods and services and that they do not create unjustified restrictions to India's exports.

Under the FTA[25], India is to reduce import duties on a number of British products. Whisky and gin tariffs will be halved to 75 per cent, before falling to 40 per cent by the 10th year of the deal, benefiting Britain's Scotch whisky industry. India will also cut automotive tariffs to 10 per cent under a quota, from over 100 per cent currently. Other British goods which will face lower tariffs

[25] https://www.business-standard.com/india-news/india-uk-free-trade-agreement-fta-bilateral-trade-relations-125050601223_1.html

include cosmetics, aerospace, lamb, medical devices, salmon, electrical machinery, soft drinks, chocolate and biscuits.

## China no longer welcome in UK's steel sector

The British Secretary of State for Business and Trade Jonathan Reynolds said China is no longer welcome[26] in Britain's steel sector after the government needed to pass emergency legislation on April 12 to ensure control of Chinese-owned British Steel. Reynolds said that the refusal of China's Jingye group to accept a roughly 500 million pound (US$ 654 million) government aid package last week to stop irrevocable damage to blast furnaces left the government no alternative to intervening directly. Against a backdrop of global overcapacity and challenges from US tariffs Jingye demanded to import steel from China for further processing in Britain.

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[26] https://www.reuters.com/world/uk/china-no-longer-welcome-uk-steel-sector-minister-says-2025-04-13/

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