

ECONOMIQUITY

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Spur Domestic Reform Amidst the Trade Turmoil

Amidst the ongoing tariff turmoil, with a 50% duty on Indian exports to the US, India's response needs to be carefully strategised. Given the multi-dimensional partnership shared by India and the US, it is highly unlikely that cooperation in areas such as counterterrorism or Indo-Pacific security will be abruptly abandoned. A steep tariff not only hurts Indian producers but also raises costs for US businesses and households, particularly for imports with limited substitutes.

This moment presents India with an opportunity to accelerate long-pending reforms, build capacity, and diversify its exports. Strengthening trade relations remains a priority: India recently hosted the 10th meeting of the ASEAN-India Trade in Goods Agreement (AITIGA) Joint Committee, aimed at enhancing effectiveness, accessibility, and trade facilitation, and positioning India as a strategic gateway for onward exports to the Gulf.

Regionally, while India consolidates its trade partnerships, it has taken a pragmatic stance in the BRICS currency debate, resisting calls for de-dollarisation to avoid strategic risks. Instead, the focus lies in diversifying partners, exploring alternative payment systems, and reducing overdependence on any single currency. In line with this, the RBI has removed the prior approval requirement for banks to open Special Rupee Vostro Accounts (SRVAs), streamlining rupee-based trade settlements.

On the global front, the White House continues its diplomatic charades by announcing a peace agreement between Azerbaijan and Armenia. China has secured another 90-day tariff truce with the US. In Africa, leaders of the East African Business Council (EABC) have called for stronger public-private partnerships to eliminate non-tariff barriers and boost intra-regional trade.

This edition of *Economiquity* captures these stories, along with other prominent developments shaping the global trade landscape.

International Trade		
1.	<p><i>Emergence of a New Trade Order</i></p> <p>Foreign Affairs</p> <p>August 11, 2025</p>	<p>Froman asserts that the traditional rules-based global trading system has effectively disintegrated. He attributes this breakdown to the U.S.'s aggressive tariff policies and the subsequent retaliatory measures by other nations, leading to a fragmented and less predictable trade environment. In place of multilateral agreements, bilateral and regional trade deals are gaining prominence</p>
2.	<p><i>India-UN Initiative Fuels South-South Trade Synergies</i></p> <p>The Economic Times</p> <p>Aug 02, 2025</p>	<p>India's launch of four Global Capacity Building projects - targeting health, food security, vocational training and census preparedness across nine nations - lays a foundation for enhanced South-South trade. Leveraging UN and Indian institutional expertise, these efforts are poised to improve cross-border economic resilience and trade capacity.</p>
3.	<p><i>US-China Extend Tariff Truce by 90 Days, Avoiding Major Duty Surge</i></p> <p>Reuters</p> <p>August 12, 2025</p>	<p>The US and China have agreed to extend their tariff truce for another 90 days, postponing substantial tariff increases—up to 145% on Chinese goods and 125% on U.S. goods—until November 10. The extension allows U.S. retailers to import goods for the Christmas season at lower rates, providing relief amid ongoing trade tensions.</p>
4.	<p><i>US Threatens Higher Tariffs on Indian Exports if Alaska Talks Collapse.</i></p> <p>Times of India</p> <p>Aug 14, 2025</p>	<p>The US has warned India that secondary tariffs- currently at 50% - could rise if Trump's talks with Putin in Alaska fail. With Indian shipments facing steep US duties, the looming tariff escalation threatens key trade sectors. For India, the stakes are high, further sanctions could hurt bilateral trade, dent export competitiveness, and intensify scrutiny of its energy imports, placing its largest trading partner relationship at risk.</p>
5.	<p><i>India Chooses Pragmatism in BRICS Currency Debate, Says No to De-Dollarisation, Yes to Local-Currency Trade.</i></p> <p>The Economic Times</p> <p>August 15, 2025</p>	<p>While Brazil looks to explore alternative trade currency within BRICS, India reiterates focus on expanding cross-border local-currency settlements - demonstrating strategic derisking amid geopolitical tariff tensions without disrupting its global financial standing. This stance comes as Brazil plans a virtual BRICS summit to co-ordinate responses to Trump-imposed tariffs.</p>

Regional Trade		
1.	<p><i>ASEAN Needs Strategic Minilateralism to Reassert Centrality</i></p> <p>Observer Research Foundation</p> <p>August 2, 2025</p>	<p>To counter fragmentation, experts propose that ASEAN leaders pursue flexible minilateral engagements - such as trilateral ties with India, Australia, or Japan - to bolster centrality while navigating geostrategic challenges.</p>
2.	<p><i>U.S.-Mediated Peace Deal Opens Trade Gateway in South Caucasus</i></p> <p>Reuters</p> <p>August 9, 2025</p>	<p>Armenia and Azerbaijan signed a U.S.-brokered peace accord at the White House, pledging to halt hostilities, recognise territorial integrity, and revive diplomatic ties. The agreement grants the U.S. exclusive rights to develop a transit corridor, aimed at bolstering regional energy, trade, and technology connections.</p>
3.	<p><i>Regional Cooperation Unlocks Africa's Critical Mineral Potential</i></p> <p>African Business</p> <p>August 13, 2025</p>	<p>Africa holds roughly 30% of the world's reserves of cobalt, lithium, and nickel. By fostering regional cooperation, African nations can strengthen trade integration, boost intra-African trade in critical minerals, and ensure sustainable development, reinforcing the continent's strategic role in the global green energy supply chain.</p>
4.	<p><i>India Hosts 10th AITIGA Joint Committee Meeting to Strengthen Bilateral Trade.</i></p> <p>Press Information Bureau</p> <p>August 15, 2025</p>	<p>India hosted the 10th AITIGA Joint Committee meeting with delegates from all ten ASEAN nations. The meeting reviewed trade facilitation, market access, and rules of origin to enhance India–ASEAN trade, which reached USD 123 billion in 2024–25.</p>
5.	<p><i>Protectionism hurting intra-EAC trade, investments – experts</i></p> <p>The Star</p> <p>August 15, 2025</p>	<p>Despite 25 years since EAC integration, intra-regional trade remains sluggish - under 15% of total trade. Experts warn market protectionism, tariff distortions, NTBs and counterfeit goods are sabotaging the Common Market's promise of free trade and investment. EABC and KEPSA leaders call for political will and stronger public – private partnerships to eliminate barriers.</p>

National Trade		
1.	<i>RBI Smoothens Path for Rupee Trade Settlements</i> Financial Express August 11, 2025	By removing procedural delays, SRVAs can now be opened swiftly. India aims to lessen reliance on the US dollar and boost bilateral trade invoicing in rupees. AD banks must still comply with FEMA and KYC norms. This move is designed to accelerate rupee-based trade settlements and help internationalise the INR.
2.	Parliament passes key Coastal Shipping Bill to boost maritime trade The Week August 07, 2025	The Coastal Shipping Bill, 2025 , which aims to facilitate cargo shipping along the Indian coastline, was passed by Parliament. It seeks to unlock the full potential of India's vast and strategic coastline, providing a dedicated legal framework for coastal trade.
3.	<i>Diversification of Export Markets to Mitigate Tariff Impact.</i> Times of India August 13, 2025	To counter the adverse effects of the U.S. imposing a 50% tariff on Indian exports, India is actively pursuing export diversification. The government is fast-tracking trade agreements with the UK, EU, and Oman, and focusing on enhancing export competitiveness and ease of doing business.
4.	<i>Rising Tariffs, Sinking Hopes: India's Manufacturing at Risk.</i> Business Standard August 14, 2025	The unexpected tariff hike has triggered panic among exporters. With the U.S. now the costliest import destination in Asia, Indian firms replacing negotiation room with zero margin fear further loss of competitiveness and investment momentum. Farida Group's ₹1,000 crore expansion in Tamil Nadu has paused, new orders vanished, and India's drive to grow manufacturing share from 13 % to 25 % now faces a serious blow.
5.	<i>Trade Deficit Narrows Amid Robust Services Export Growth.</i> The Hindu August 14, 2025	India's trade deficit narrowed during the April–July 2025 period, driven by a significant increase in services exports, which continued to offset the widening merchandise trade deficit. The data underscores the importance of strengthening the services sector and diversifying export markets to mitigate risks associated with merchandise trade imbalances and global economic uncertainties.



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