

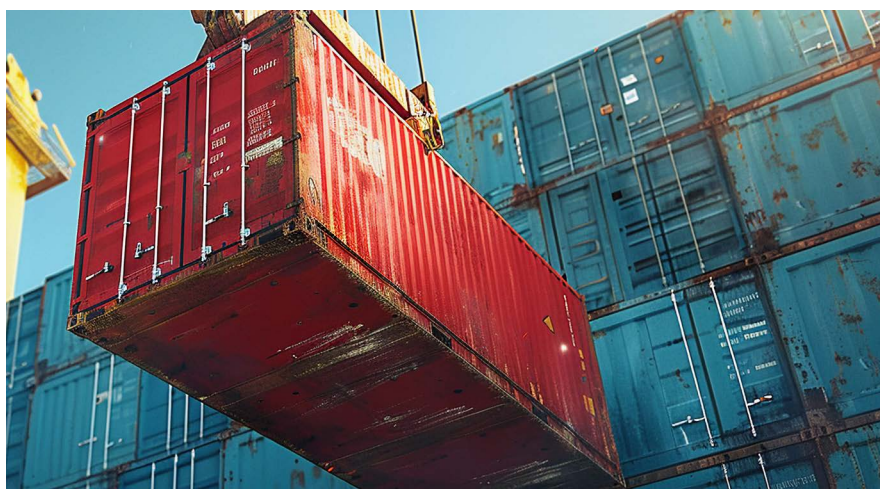
Global Trade Pulse

July 2025 Issue

Simmering Global Tensions Fan Trade Concerns

Global trade environment is undergoing a shift amid rising geopolitical conflicts and trade disruptions. Ongoing trade conflict between the US and China, the Russia-Ukraine war and unrest in the Middle East have created uncertainties in the global market. China - earlier the preferred supply source for many countries - started losing its prominence on heels of the Covid-19 pandemic that kicked off the 'China Plus One' strategy.

Recent tariffs imposed on China by the US have given the edge to countries like India. The country is building its image as a reliable alternative to China through strategic diplomatic ties, strengthening its manufacturing infrastructure, enhancing energy security and diversifying its supply chain.



Shifting Trade Patterns: Industry Examples

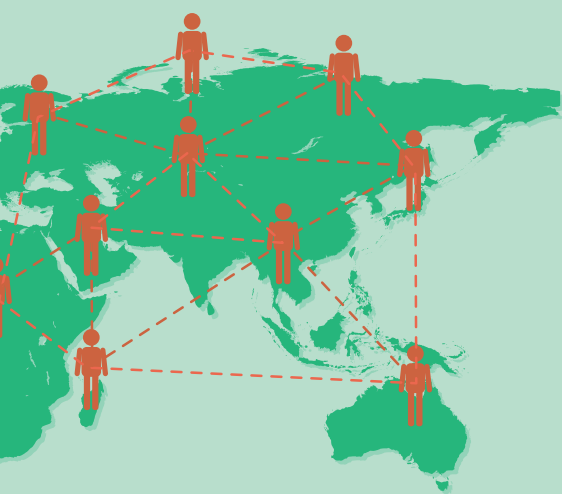
Chinese shipments of the iPhone to US declined nearly 76% from a year ago to just 900,000 units in April 2025. Comparatively, **iPhone exports from India** rose to around 3 million units in the same month, marking a 76% jump year-on-year.

Apple's leading suppliers Foxconn and Pegatron have announced plans to invest more in India to boost their manufacturing capacities as the phone giant strategically expands its global footprint amid tariffs.

With key competitors like **China, Vietnam and Bangladesh facing higher tariffs in the textiles and garments** sector, India's comparative advantage has made it an **attractive sourcing destination for global retailers like Walmart and Costco**.

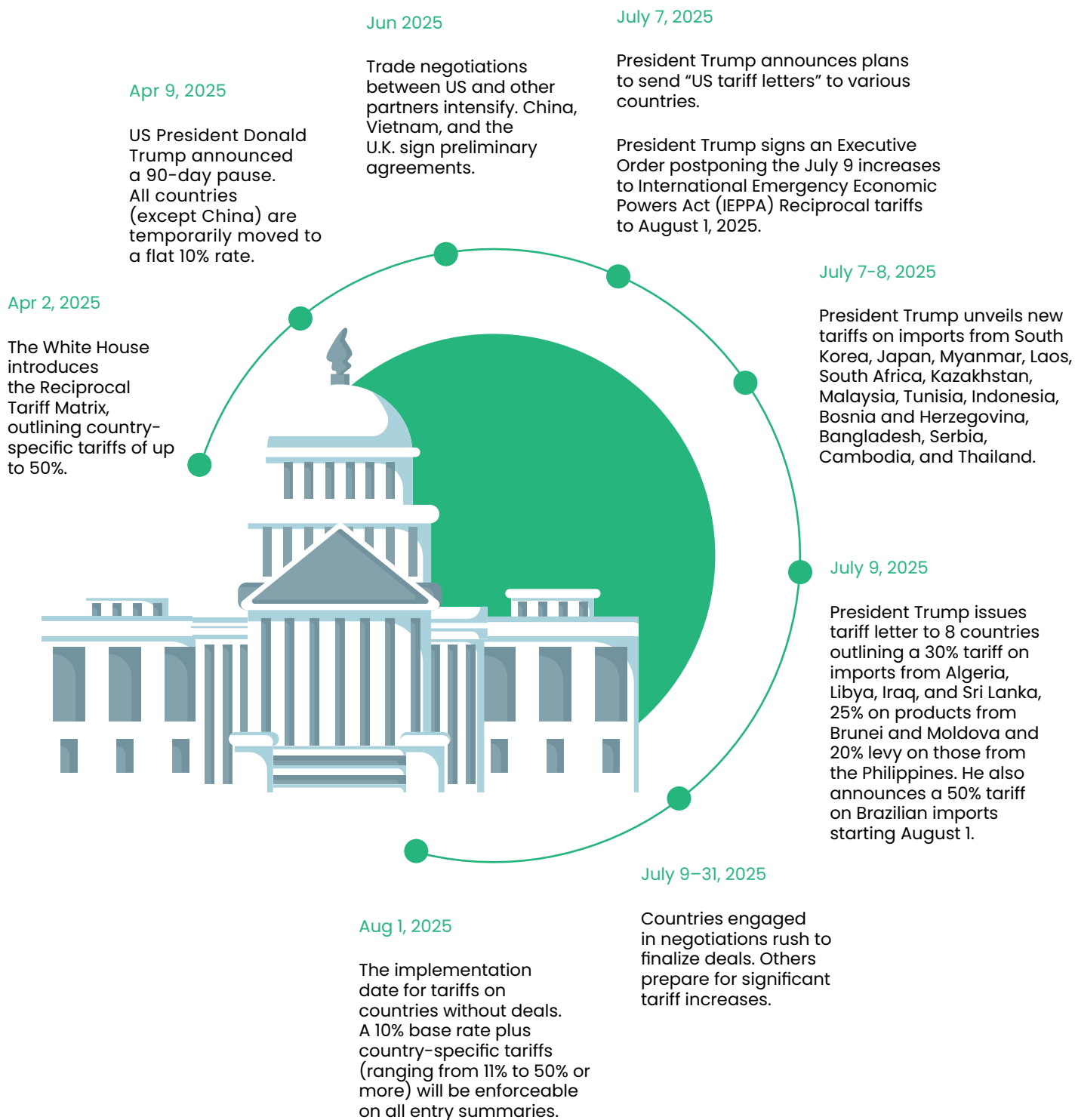
Global toymakers are also increasingly partnering with Indian manufacturers to reduce dependence on higher-tariff regions.

In all, **India has identified at least 10 industries where higher US tariffs on China have given the country a competitive advantage**.





Tracking the Tariff Turnaround

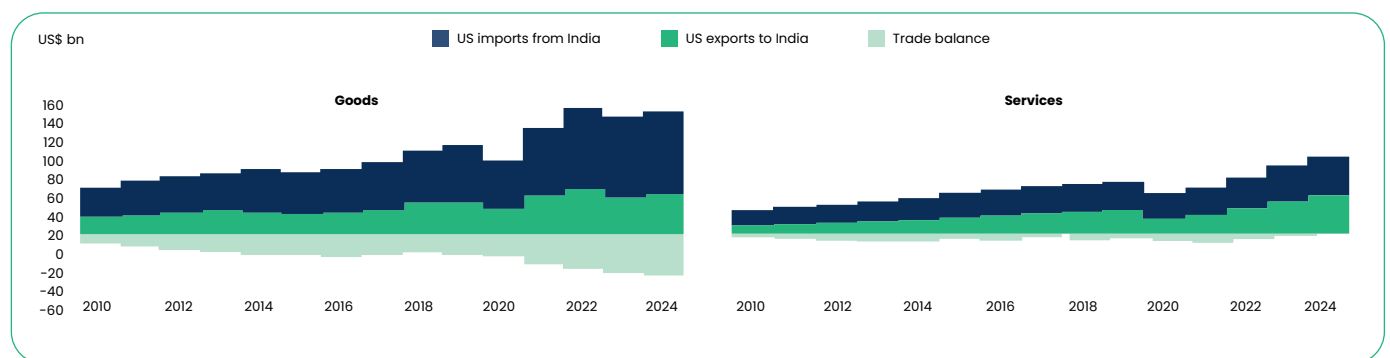




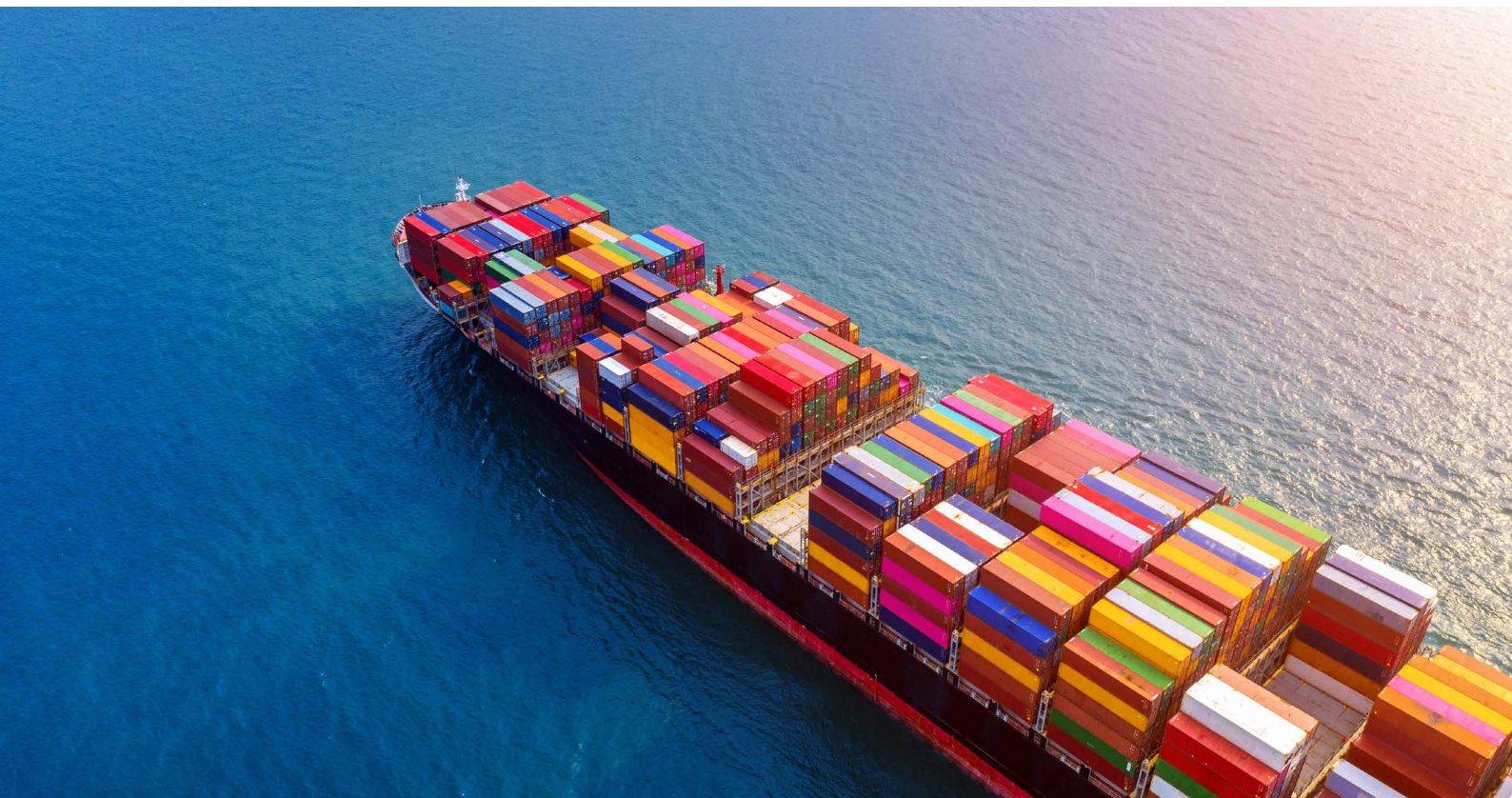
Tariffs Wars: Implications for Indian Exporters

Amid an evolving trade landscape, India, with its large labour force, growing infrastructure and stable government, is emerging as a strong contender as resilient and rapidly modernizing trade partner.

In 2024, the US had a USD 46 billion trade deficit with India, driven by electronics, pharmaceuticals, and jewelry. This imbalance is largely in goods, while services trade remains balanced, with the US registering only a USD 0.5 billion deficit in 2024. India's share in the US trade remains modest — accounting for just 2% of the US goods exports and 2.7% of imports. India ranks 10th in the US trade deficit, far behind Mexico, Canada, and China, making it less likely to face broad US trade actions.



Source: BEA, Dun & Bradstreet

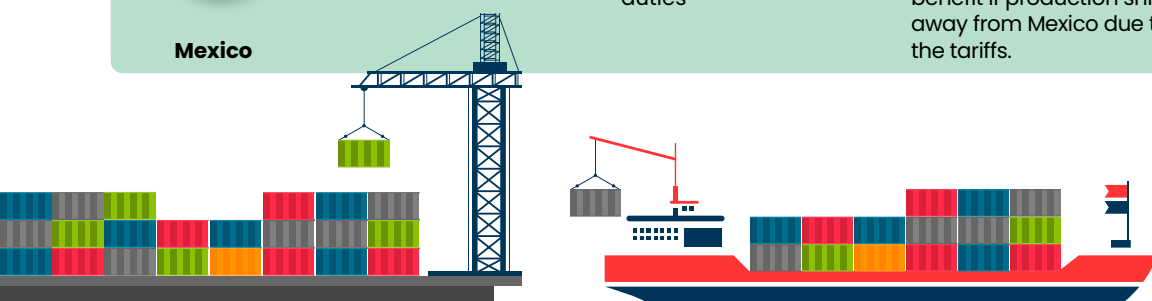


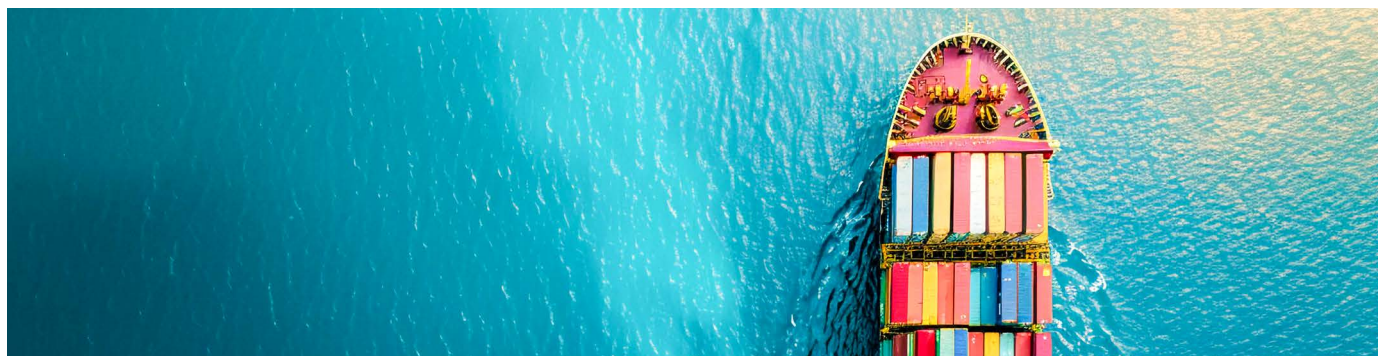


Recent global events and tariff changes are reshaping trade relationships, opening up opportunities for Indian exporters.

Emerging Export Opportunities for India: Country-Level Insights

Country	Industries where India competes	US Tariff Status (2025)	Impact on Indian Exporters	Net Impact
 China	Top competitor in almost all export categories	Up to 55% on electronics, apparel, toys, etc. Partial deal on rare earths only	Huge opportunity for India in electronics, apparel, toys, chemicals	Strong Gain
 Vietnam	Strong competitor in textiles, footwear, and electronics	20% tariff on Vietnamese goods and 40% on trans-shipments through Vietnam.	India to become a more lucrative sourcing destination especially in labour-intensive sectors	Positive
 Bangladesh	Top competitor in readymade garments, textiles and agri-products	35% tariff on Bangladeshi goods	Opportunity for Indian textile/apparel exporters	Positive
 Indonesia	Coal, rubber, seafood, agri-foods, footwear and textiles	19% tariff on exports	Indian exporters could gain a price advantage over their Indonesian counterparts if India strikes a lower tariff deal with the US	Conditional (depending on India's tariff deal)
 Japan	Auto, machinery and chemicals	No deal; tariffs of 25% on Japanese imports from 1 Aug	Indian auto parts, chemicals and machinery exporters may benefit	Conditional (depending on India's tariff deal)
 South Korea	Electronics, steel, and petrochemicals	Tariff of 25% on South Korean imports effective 1 Aug	Opens up room in electronics & steel categories	Conditional (depending on India's tariff deal)
 Mexico	Key competitor in auto, electronics, textiles and chemicals.	30% tariff on all Mexican imports effective 1 Aug. This is in addition to any existing sector-specific duties	Indian products may become more competitive in export markets; additionally, India could benefit if production shifts away from Mexico due to the tariffs.	Conditional (depending on India's tariff deal)





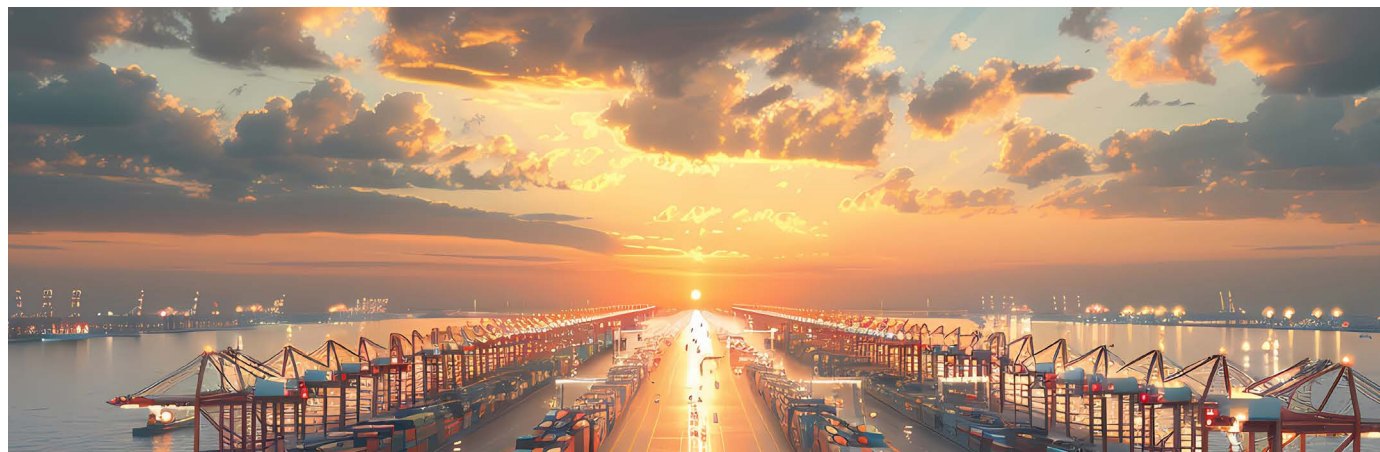
Sectoral Impacts: Tariff-Driven Opportunities and Challenges for Indian Exports

Sector	Tailwinds	Headwinds
Apparel & Textiles	Tariffs on Bangladesh, Cambodia, Indonesia, and Vietnam may boost demand for Indian products	Rising raw material costs and logistics challenges
Electronics (incl. iPhones)	Apple's supply chain diversification to India (e.g., Foxconn, Pegatron)	Skill shortages in high-tech component manufacturing
Pharmaceuticals	US buyers diversifying away from China; strong trust in Indian generics and competitive pricing	Stringent FDA regulations and reliance on Chinese APIs
Toys	Tariff-driven demand shift from China	Limited installed capacity and lack of scale
Auto Components	US tariffs on Japanese and Korean auto goods create export opportunities for Indian mid-value components	Limited R&D capabilities and high input costs
Footwear & Leather	Shift in sourcing from Vietnam and Bangladesh to India	Sustainability and compliance challenges
Chemicals & Plastics	Global buyers moving away from China; India offers competitive labor and regulatory compliance	Regulatory hurdles and feedstock availability issues
Jewelry & Gemstones	Strong demand from the US, Middle East, and UAE	High customs duties and gold price volatility
Iron & Steel Articles	US tariffs on China and Korea open up export opportunities for Indian producers	Domestic overcapacity and concerns over carbon border taxes
Agricultural Exports	Robust global demand for spices, rice, and tea	Monsoon dependency and phytosanitary barriers in the EU and US
Handicrafts	Increasing global interest in ethical and handmade products	Scalability issues and competition from machine-made alternatives
Seafood	Rising demand for shrimp in the US and EU as buyers shift from Southeast Asia	Quality compliance requirements and port-related delays



Edging Towards Competitiveness

As global trade dynamics continue to evolve, businesses — especially exporters — are navigating a landscape marked by shifting tariff structures, regulatory complexities, and increasing pressure on margins and liquidity. These challenges are particularly acute for small and medium businesses (SMBs), which form the backbone of India's export economy but often lack the resources to adapt quickly.



Drip Capital – Viewpoint

- India's ambition to expand its share in global trade could benefit significantly from a stronger domestic manufacturing base, which would enhance institutional capacity to meet rising global demand.
- In addition to addressing tariff-related challenges, it may be worthwhile to focus on mitigating non-tariff barriers such as regulatory compliance, quality standards, intellectual property rights, environmental norms, and digital trade policies. Strengthening these areas could help align domestic systems with international benchmarks.
- Areas including sustainability, labour rights, and product safety are increasingly shaping trade negotiations, especially with developed economies. Enhancing these aspects could support India's positioning as a responsible and reliable trade partner.
- Encouraging innovation and technical expertise may be essential to remain competitive in a rapidly evolving global landscape. Without adequate focus on these areas, exporters might face compliance-related challenges that could affect preferential access under FTAs or similar arrangements.
- Small and Medium Businesses (SMBs), which contribute significantly to India's exports, often encounter difficulties in navigating customs procedures, documentation, and foreign regulatory frameworks. Targeted support and capacity-building initiatives could help bridge these gaps.
- While continued government support is important, SMBs may also consider proactively adopting digital tools, expanding their market reach, and familiarizing themselves with export protocols and foreign market regulations.
- Building a competitive and sustainable trade ecosystem is likely to require a collaborative approach, with active participation from government, industry, and other stakeholders. Such collective efforts could help India realize its global trade potential more effectively.



About Drip Capital

Drip Capital is a leading fintech company revolutionizing trade finance for small and medium businesses (SMBs) across the globe. By leveraging technology and data, Drip provides collateral-free working capital solutions that are fast, flexible, and tailored to the needs of growing businesses.

Whether it's exporters or businesses managing procurement, Drip helps bridge cash flow gaps across the trade cycle, covering everything from supplier payments to inventory financing. With simplified digital onboarding, quick credit approvals, and transparent pricing, Drip makes access to trade finance easy and scalable.

Backed by investors like Accel, Sequoia Capital, and Y Combinator, and debt partners including Barclays, the International Finance Corporation and East West Bank, Drip has empowered over 9,000 SMBs and facilitated more than \$7 billion in cross-border trade. As a trusted partner in global trade, Drip Capital is enabling entrepreneurs to grow their business without giving up equity or pledging assets.



Drip Capital Offerings

At Drip Capital, we empower businesses with fast, flexible, and collateral-free solutions for both working capital and procurement, designed to support every stage of global trade.

In India

1 We support Exporters through Receivables Finance.

- Disburse funds within 24 hours
- Credit lines of up to \$2.5 million
- Flexible repayment terms of up to 150 days
- Collateral free working capital

2 We support Importers through innovative procurement solutions.

- Procurement Limits of up to \$3M
- Get up to 90 days to pay when you procure your goods
- Improve margins with cash discounts through supplier prepayments
- Paperless digital process

In the USA

3 We help importers and domestic purchasers with payables financing.

- Credit lines up to \$3 million
- No UCC filings, no personal guarantees
- Repayment terms up to 90 days
- Drip pays your supplier directly, giving you more time to repay later
- Obtain improved pricing through cash discounts by paying early

For more information, please call: +91-9987-779-334 or e-mail us at trade@dripcapital.com

Visit our website: www.dripcapital.com

This newsletter has been prepared by Drip Capital and its knowledge partner Dun & Bradstreet India.