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TURNING TARIFFS INTO OPPORTUNITY: WHY THE US TRADE WAR OPENS NEW DOORS FOR INDIA IN THE MAGHREB

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**Turning Tariffs into Opportunity:
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Maghreb**



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Introduction

In the intricate web of global trade, nations continually navigate shifting alliances, economic policies, and geopolitical landscapes to safeguard their economic interests. The recent imposition of sweeping tariffs by the United States under President Donald Trump has disrupted traditional trade flows, compelling countries to seek alternative partnerships and markets. For India, this tumultuous environment presents both challenges and opportunities. One particularly promising avenue is the Maghreb regionⁱ—a cluster of North African nations including Morocco, Algeria, Tunisia, Libya, and Mauritania. By deepening economic ties with these countries, India can not only mitigate the adverse effects of U.S. tariffs but also establish a strategic presence in a region that serves as a gateway between Europe, Africa, and the Middle East.

The Current Trade Climate: Challenges and Opportunities

On April 9, 2025, the global trade community was jolted by the announcement of new tariffs by the Trump administration. A baseline 10% tariff was applied to imports from 185 countries—with dramatic increases for strategic competitorsⁱⁱ. China saw a jaw-dropping 104% tariff, the European Union 20%ⁱⁱⁱ, and India 26%^{iv}. For Indian exporters, this wasn't just a tax—it was a warning shot across the bow of dependence on Western markets.

India has long counted the U.S. among its top trading partners, with key exports such as textiles, generic pharmaceuticals, auto parts, and IT services forming the backbone of bilateral trade. A 26% tariff significantly impacts India's cost competitiveness in the U.S. market, threatening export-driven growth in several labour-intensive sectors. It also rattles investor confidence, particularly for industries heavily reliant on the American consumer base.

But as the old adage goes, "When one door closes, another opens." This new phase of protectionism offers India a golden opportunity: to pivot and diversify its trade relationships in ways that strengthen long-term economic resilience. The Maghreb, often overlooked in India's foreign policy and trade priorities, emerges as a promising frontier.

India and the Maghreb: Rediscovering a Historic Relationship

India's ties with the Maghreb are not new—they are just underutilised. From the days of the Non-Aligned Movement, India maintained cordial diplomatic relations with Morocco, Algeria, and Tunisia. Today, those historical bonds can be reignited with renewed economic interest.

Among Maghreb nations, **Morocco** leads the way in economic engagement with India. In 2023, Indian exports to Morocco touched \$1.11 billion, nearly doubling in five years^v. These include cars, pharmaceuticals, textiles, machinery, and plastics. Morocco, in turn, supplies phosphates—an essential ingredient for India's agriculture and fertiliser industry.

Algeria, North Africa's largest country by area, is rich in hydrocarbons and has exported oil and gas to India, while importing machinery, chemicals, and food products. In 2023-24, bilateral trade touched 848.16 million, though this figure still lags behind its true potential^{vi}.

Tunisia, known for phosphoric acid production, has maintained a steady trade partnership with India, especially in the fertiliser and chemical sectors. While trade stood at US\$464.73 million in 2023, this too is ripe for expansion^{vii}.

Libya and **Mauritania**, facing internal instability and economic transitions, have been marginal players—but with diplomatic will and economic collaboration, they too can be brought into the fold.

So far, trade with the Maghreb has been a function of necessity—importing raw materials like phosphates and crude oil. The time has come to turn that into a full-spectrum relationship that includes manufacturing, services, digital technology, and clean energy.

The Maghreb Advantage: Why This Region Matters

The Maghreb is more than just North Africa—it is a strategic bridge between continents. Sitting at the junction of the Mediterranean, the Atlantic, and the Sahara,

this region connects Europe, Sub-Saharan Africa, and the Middle East. For India, which is recalibrating its global ambitions through initiatives like SAGAR (Security and Growth for All in the Region)^{viii} and the India-Middle East-Europe Economic Corridor (IMEC)^{ix}, the Maghreb is a missing piece in the geopolitical puzzle.

Here's why the region is critical:

1. Gateway to Europe and Francophone Africa

Morocco and Tunisia have free trade agreements (FTAs) with the European Union and preferential access to West African markets. By establishing supply chains in the Maghreb, Indian companies can gain indirect access to European and Francophone markets without the red tape and high entry barriers.

2. Strategic Maritime Location

Ports like Tangier (Morocco), Algiers (Algeria), and Tunis (Tunisia) are rapidly modernising into transshipment hubs. For India, investing in or partnering with these ports means positioning itself at the doorstep of the Atlantic—crucial for both energy trade and naval diplomacy.

3. Energy and Mineral Resources

Algeria and Libya are among the top oil and gas exporters to Europe. Morocco is a global phosphate powerhouse. These are sectors where India needs imports, and where Indian companies (like ONGC¹, IFFCO², and NTPC³) can explore joint ventures, exploration rights, and technology transfer.

4. Demographic Dividend and Market Growth

With a young population and rising urbanisation, the Maghreb represents a growing consumer base. There is rising demand for education, healthcare, mobile technology, automobiles, and digital services—areas where Indian businesses are competitive.

5. Countering Chinese Influence

China has already made significant inroads in the Maghreb through Belt and Road Initiative (BRI) projects, soft power diplomacy, and port investments. India's entry will not only ensure economic diversification for the Maghreb but also offer a democratic, transparent, and mutually respectful alternative.

Sectors Ripe for India-Maghreb Collaboration

While energy, agriculture, and raw materials dominate the existing trade pattern, several high-growth sectors can drive future collaboration:

¹ Oil and Natural Gas Corporation

² Indian Farmers Fertiliser Cooperative Limited

³ National Thermal Power Corporation Limited

1. Renewable Energy

Morocco and Tunisia are investing heavily in solar and wind energy, aiming to become green powerhouses. Indian companies like ReNew Power, Adani Green, and NTPC Green Energy can invest in solar parks and offer low-cost technology and operations expertise.

2. Pharmaceuticals and Healthcare

India's generic drug industry can provide affordable medicine and vaccines to the Maghreb. With proper regulatory alignment, India can position itself as a healthcare partner in both urban and rural areas—especially in Tunisia and Mauritania, where healthcare access is uneven.

3. Agro-Technology and Fertilisers

Joint ventures with Moroccan phosphate companies can ensure stable fertiliser supply chains for India and drive technological collaboration in sustainable agriculture, drip irrigation, and agri-inputs.

4. Digital Services and Education

Edtech, fintech, and healthtech are booming in India and are export-ready. Through digital partnerships, Indian startups can expand into francophone markets using Morocco and Tunisia as launching pads. Government-to-government digital skilling initiatives can also create lasting goodwill.

5. Infrastructure and Transport

Indian companies in construction and transport (like IRCON⁴, L&T⁵, or GMR⁶) can participate in port upgrades, metro lines, and logistics corridors. These not only boost trade but also elevate India's visibility on the ground.

Making It Work: Time for an India-Maghreb Free Trade Agreement (FTA)

To seize this opportunity, India must go beyond bilateral MOUs and commit to a **regional trade strategy** with the Maghreb. The idea of a comprehensive India-Maghreb Free Trade Agreement is both timely and pragmatic.

A proposed FTA should cover:

- **Reduced Tariffs and Quotas** on industrial and agricultural goods.
- **Services Trade Facilitation**, especially in IT, education, and tourism.
- **Customs Harmonisation and Port Connectivity** to reduce logistics costs.

⁴ Indian Railway Construction International Limited

⁵ Larsen & Toubro.

⁶ Grandhi Mallikarjuna Rao Company

- **Investment Protection Agreements** to encourage FDI from Indian firms.
- **Mutual Recognition of Standards and Certifications**, especially for pharma and agri-exports.

India can initially pilot this with Morocco and Tunisia—countries with relative political stability and openness to trade. Once proof of concept is achieved, the scope can expand to Algeria, Libya, and Mauritania.

Additionally, New Delhi should consider establishing a **Maghreb Economic Mission**—a dedicated arm within the Ministry of External Affairs or Ministry of Commerce to streamline business, visas, and investment facilitation.

Conclusion: A Win-Win Future Built on Strategy and Trust

In a world increasingly defined by trade wars, economic nationalism, and disrupted supply chains, India's ability to adapt will define its future. The U.S. tariffs are not just a blow—they're a signal. Overreliance on one market is risky. But diversification doesn't mean just chasing the next big Western economy—it means building sustainable, strategic partnerships in regions often forgotten.

The Maghreb offers just that: A combination of cultural familiarity, geopolitical importance, and mutual economic interests. It's time India looked west—not across the Atlantic, but across the Sahara.

The opportunity is not just economic—it's geopolitical, it's cultural, and it's human. By empowering local economies, investing in green futures, sharing knowledge, and building respectful, transparent trade relations, India can rewrite the rules of engagement in the Global South.

And in doing so, it will not just secure markets for its goods—it will win allies for a new world order.

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