DAILY PAGER

US TARIFFS ON INDIA

WHAT HAS HAPPENED

A combined **50% tariff** is currently in effect on a significant portion of Indian goods in August 2025. This is one of the highest tariffs the U.S. has imposed on any country. Breakdown of tariffs

- **25% "reciprocal" tariff** imposed in response to perceived high Indian trade barriers.
- Additional **25%** levied in August 2025, specifically in response to India's continued purchase of Russian oil.

June 5, 2019
The US withdraws India's GSP status, ending duty-free access for many goods.

2020-2024
Ongoing trade talks are unproductive as the US continues to criticize India's high tariffs.

August 7, 2025
A 25% "reciprocal" tariff on Indian goods takes effect.

August 27, 2025
An additional 25% tariff is imposed over Russia oil purchases, bringing the total to 50%.

**Generalized System of Preference (GSP) is advisory clause under WTO rules – one country cannot discriminate against other in terms of tariff*

WHY TARIFFS

Economic Friction

- *Trade Imbalance*: The U.S. has expressed long-standing concerns about its trade deficit with India.
- *Market Access*: The tariffs are a negotiation tactic to pressure India to lower its tariffs and non-tariff barriers

Geopolitical and Political Factors

- *Russian Oil Purchases*: The additional 25% tariff is a direct measure to sanction India for its continued purchase of Russian oil, which the U.S. views as financially supporting Russia's military actions.
- *"America First" Policy*: The tariffs are consistent with U.S. administration's protectionist trade philosophy.
- *Diplomatic Friction*: Some friction as India rejected US mediation in India-Pakistan conflict

AFFECTED SECTORS

Category	Export to US (FY24-25)	Previous Tariff (%)	Increased Tariff (%)
Garments	$3.4 Bn	12%	62%
Shrimp & Seafood	$2.4 Bn	0%	60%
Gems & Jewellery	$10 Bn	5.80%	55.8%
Carpets	$1.2 Bn	2.90%	52.9%
Home Textiles	$3.0 Bn	9%	59%
Machinery & Parts	$6.7 Bn	1.30%	51.3%
Auto Parts	$6.4 Bn	1%	26-51%
Rice	$0.4 Bn	0%	61%

OVERALL IMPACT ON INDIA

Metric	Current Value (FY24-25)	Projected (post-tariff)
Total Exports to US	$86.5 Bn	~$50 Bn
Affected Exports	$60.2 Bn	$18.6 Bn
Overall Exports Dec	N/A	43%
GDP Impact	6.5% (projected FY26 without tariffs)	5.6% (worst case)

Tariffs can put thousands of jobs at risk, especially in export-driven hubs like Tirupur. Indian goods will be at major cost disadvantage compared to competitors like Bangladesh and Vietnam in U.S. market

WHY NOT ON EU: Primary reason EU has not faced similar tariffs despite importing ~$ 25Bn Russian gas is due to a strategic approach by US and EU. Instead of tariffs, US has incentivized EU to shift its energy purchasing, leading to a massive $750 billion energy deal for US supplies. In contrast US accuses India of 'profiteering' from Russian oil.

WHAT CAN INDIA DO

- *Avoid retaliation*: India didn't impose retaliatory measures.
- *Domestic Support:* Govt is considering providing financial & regulatory support to affected industries, like reviewing GST slab
- *Market Diversification:* A key focus is on an "Export Promotion Mission" to expand trade with new markets like Japan, S Korea, Middle East, Latin America and China.
- *WTO Challenges:* India is considering WTO to challenge the tariffs. However, US had earlier dismissed WTO's authority to rule on tariffs imposed for "national security" reasons.

Country	Trade (Fy25)	Target by 2030
Japan	$ 21 Bn	Investment of 67 Bn
S Korea	$20 Bn	$ 50 Bn
Latin America	$50 Bn	$100 Bn
Middle east	$40 Bn	$100 Bn