25 percent tariff by USA on India

Prelims: *Current events of National and International Importance| Economy*

Why in News?

*On November 25, 2026, the Office of the U.S. Trade Representative (USTR) proposed tariffs of up to **25%** on Indian imports under a Section 301 investigation into alleged structural excess manufacturing capacity, while offering to lower the rate to **17%** if India and the U.S. conclude a bilateral trade deal.*

Details of the USTR Proposal

- **Not Immediate–** The proposed duties do not take effect right away. Written public comments are open until **January 5, 2027**, with a public hearing scheduled for **January 25, 2027**, ahead of a final decision.
- **How It Stacks Up–** The 25% proposal is the second-highest initial rate among the 14 economies covered in the USTR's excess-capacity determination—trailing Vietnam's up-to-35% rate.
- **17% Trade-Deal Option–** Concluded bilateral trade talks could lower India's rate to 17%, putting it below the proposed rates for competitors like Bangladesh, Cambodia, and Indonesia (18%), as well as Vietnam and China (20% under current/deal terms).
- **Net of Existing Section 301 Duties–** The proposed rate is not simply stacked on top of the existing 10% additional U.S. tariff on most Indian goods; importers would pay whichever applicable rate is higher (representing a 7-percentage-point increase at 17% or 15 percentage points at 25%), with adjustments considered for other Section 301 and Section 232 duties.

India's Response & Context

- **India's Stance–** New Delhi rejected the claim of structural excess capacity across Indian sectors, stated that the notice is under examination, and maintained that trade issues should be resolved within ongoing bilateral trade negotiations.
- **Wider Tariff Backdrop–** The proposal follows the U.S. Supreme Court's earlier ruling striking down broad emergency-power ("Liberation Day") tariffs, prompting the Trump administration to pursue Section 301 investigations instead.
- For exporters in India—including manufacturing hubs like Tamil Nadu—frequent shifts in tariff rules continue to add pricing and order uncertainty alongside potential competitive gains if a lower deal rate is secured.

Reference

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