# US Tariff on India and its Effects

**Mains**: *GS II – Effect of Policies and Politics of Developed and Developing Countries on India's interests*

## Why in News?

*Recently, US president has announced a 25% additional penalty on Indian goods, for continuing to purchase oil from Russia, taking the total baseline tariff to 50%.*

## What are reciprocal tariffs?

- **Definition** – It is a tax or trade restriction that one country places on another in response to similar actions taken by that country.
- **Implementation** – If one country raises tariffs on goods from another, the affected country might respond by imposing its own tariffs on imports from the first country.
- **Purpose** – This response is *meant to protect local businesses, preserve jobs, and fix trade imbalances.*
- **Impacts** – It can lead to *a back-and-forth increase in trade barriers*, potentially resulting in a trade war that negatively impacts both economies.
- It can *disrupt supply chains, raise prices for consumers, and slow down economic growth.*

## How US imposes reciprocal tariffs?

- **Section 232** – It allows the US department of Commerce to investigate and *impose additional tariffs if the import of the goods threaten national security*.
- **Tariffed goods**

| Product Category | Tariff Rate (August 7, 2025) | Tariff Rate (August 27, 2025) |
|---|---|---|
| Textiles & Apparel | 25% | 50% |
| Gems & Jewelry | 25% | 50% |
| Leather & Footwear | 25% (20.8–29.51% for footwear) | 50% (45.8–54.51% for footwear) |
| Marine Products | 33.26% (25% + 2.49% anti-dumping + 5.77% countervailing) | 58.26% (50% + 2.49% + 5.77%) |
| Chemicals (Organic) | 25% | 50% |
| Automobiles & Auto Parts | 25% | 50% |
| Iron, Steel, Aluminium | 25% (5–12.5% for industrial goods) | 50% (30–37.5% for industrial goods) |
| Agricultural Products | 25% (e.g., onions at 25.54%) | 50% (e.g., onions at 50.54%) |
| Machinery & Engineering Goods | 25% | 50% |
| Ceramic, Glass, Stone | 25% | 50% |
| Rubber Items | 25% | 50% |
| Paper & Wood Products | 25% | 50% |
| Furniture | 25% | 50% |

- **Exempted items** – Pharmaceuticals, Electronics & Semiconductors, Energy Products and Critical Minerals.
- These exempt items account for approximately *30% of India's exports.*

## How it will impact India?

- **Reduction in exports** – Exporters in the textiles, chemicals and gems and jewellery segments will face reduction of 50 to 70% in their exports to the US.
- All the tariffed goods from India will be extremely expensive in US.
- **Decreases consumers for Indian goods** – With India's competitors such as *Vietnam, Indonesia, Malaysia and Philippines facing reciprocal tariffs of less than 20%,* Indian goods are going to find fewer takers in the US market.




- **Makes exports expensive** – The 50% tariff can reduce overall Indian exports to the US by 40 to 50 %.
- **Sectoral impacts** – The following sectors are going to face severe impacts

| Sector | Total Share in Exports in 2025 |
|---|---|
| Textiles and apparels | 37% |
| Chemicals | 15% |
| Electrical machinery | 32% |

| | |
|---|---|
| Jewellery | 30% |




- **Downfall of stock market** - The stocks like *Gokaldas textiles, Kitex, Camlin, Aarti industries, Atul, Bharat forge, Suprajit Engineering, Sona BLW* etc will see a sharp reduction in revenue and profitability.
- **Reduction in external demand** – There will be weakening of external demand for the companies due to the ongoing chaos, which can diminish the outlook for all companies.
- **Diminishes GDP** – Exports to the US accounting for approximately 2.2 % of our GDP in 2025, per commerce ministry data.
- A 50% reduction in the US exports can lead to a decline of at least 30 to 40 basis points in our GDP for FY26.

## What lies ahead?

- India could look for ways to help the affected exporters *through subsidies or other schemes.*
- *Reduction of crude oil imports from Russia* could be an option too, given that $87 billion of exports is at stake.

## Reference

**Business Line| US Tariff and its Effect on India**

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