

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%
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- **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](#)