

US Imposed 25% Tariff on Indian Imports

- **On July 30, President Donald Trump announced a 25% tariff on a wide range of goods imported from India. The tariff is scheduled to take effect on August 7, 2025. India's 25% tariff is in the sixth highest band, the same as Brunei, Kazakhstan, Moldova and Tunisia.**
- **Before, Trump had imposed a 10% tariff on India along with other countries on April 2 this year. These tariffs were part of Trump's "reciprocal trade policy" which was announced in the April 2025 "Libration Day" orders.**
- **This is still unclear whether the new tariffs are being applied on top of existing duties and this move will make Indian products more expensive in the American Market.**
- **As compared to India, the Trump administration has imposed a tariff of 19% on Pakistan. India now faces higher tariff rates than its regional competitors. Thailand, Indonesia and Malaysia are set for 19% duties and Bangladesh, Vietnam and Taiwan face 20% tariff. This marks a significant shift in US-India trade relations and has caused concern among Indian exporters and policymakers.**
- **The US also imposed tariffs on 90 countries including Canada (35%), Japan (15%), Vietnam (20%), Laos and Myanmar (40%), Syria (41%) etc. The US imposed the highest tariff of 50% on Brazil and lowest tariff of 10% on the UK. Countries not named in the list will either face a 10% tariff or a levy agreed as part of a trade deal.**
- **This is extremely unfortunate that Trump also said that India's economy is a "dead economy and riding on America's back" and that he would "stop freeloading nations". Our government should take necessary diplomatic steps for this unfortunate remark. He also called the Russian Economy "a dead economy" and said that "the dead economies of both the countries are collaborating".**
- **The US also signed an oil agreement with Pakistan in which the US will provide assistance in developing Pakistan's largely untapped oil reserves to enhance resource availability and reduce Pakistan's dependence on China. However, India need not be**

concerned by this development. He also stated that Pakistan may export crude oil to India in near future due to this deal with Pakistan. This again is unwarranted. In fact the purpose of the US is to reduce China's control over Pakistan and also to curb China's hegemony in the South Asia region.

Reasons of high Tariff on India

- The **US is consistently India's largest export destination** but the US has a consistent trade deficit with India. The US imported far more from India than it exported. **India's total export to the US in 2024 was approximately \$86.5 billion and total import of India from the US was approximately \$45.3 billion.** Trump believed that India benefited unfairly from low tariffs on its exports while India maintained high tariffs on American products.
For example, **US motorcycles and dairy products faced import duty of 50 to 100% in India.**
- The other reason for the 25% tariff was **India's continued oil and defence equipment purchase from Russia.** In the fiscal year 2024-25, India imported approximately **87.4 million tonnes of crude oil from Russia** which represents about 36% of India's total crude imports. This is not acceptable to the US. Again Trump is against the use of local currency in International Trade instead of US\$. India has been importing crude oil from Russia in local currencies of both the countries (Ruble & Indian Rupee). Trump has already threatened to face a 10% additional tariff to **BRICS nations if they do trade in local currency or to develop a new currency of its own.** Trump is also annoyed by Russia due to its continued attacks on Ukraine and denying a ceasefire.
- The Trump administration accused India of **"obnoxious non monetary trade protectionism"** that means India is using obstructive regulations and insisting on **"Make in India"** policies to block US technology and its agriculture and pharmaceutical products.
- The US claims that industries like aluminum and auto parts are vital for its economy and security. By imposing higher tariffs on Indian goods, the **US aims to protect its local industries and businesses.**

- The United States has announced its withdrawal from WHO and UNESCO which reflects a broader shift toward the **"America First" Policy**. America first policy framework emphasizes on placing **American citizens first, safeguarding American interests first** and reasserting national sovereignty in global affairs. **According to Trump, the golden era of the US has started with his sworn in for the second term and he will make the America great again.**
- India always supports Russia in World Organisations like UN, G20 etc. on issues like Russia- Ukraine conflict, Israel Hamas war, Israel Iran conflict etc. India either abstains from voting or voted in favour of Russia in International Organisations. This is also souring our relations with the US. The US sees India Foreign Policy more inclined towards Russia.

Impact on India

1. **Drop in exports to the US-** The US is consistently India's largest export destination but these new tariffs will make Indian goods more expensive in the US markets. Indian automobiles, textile and garments, pharmaceuticals, gems and jewellery, leather etc. will get costlier in the US market. India's neighbouring countries like Pakistan, Bangladesh, Srilanka, Vietnam, Thailand etc. will give tough competition to Indian Companies due to comparatively lower tariffs.
2. **MSME** and other small exporters are particularly vulnerable as they lack the margin to absorb tariff hikes.
3. The **Indian rupee fell sharply** after the tariff announcement which is more concerning for the Indian investors. **Stock markets also saw a dip.**
4. Economists estimated the tariff could cut off **0.2% to 0.4% from India's GDP** growth in **FY 2025–26.**

India's Response

- The Indian Government chose not to impose counter tariffs on US goods. The Indian Government does not believe in trade wars. Our response will be guided by a long-term national interest.

- India emphasized that more than 50% of exports to the U.S. were exempted from the new tariff due to prior arrangements or product-specific exceptions.
- Indian diplomats initiated quiet backchannel talks with US trade officials. A US trade delegation is coming to India on **25th August 2025** for further talks.
- **FICCI**- Federation of Indian Chambers of Commerce & Industry and **FIEO** - Federation of Indian Export Organisations have raised concerns and asked for policy support from the government.

Conclusion

The 25% tariff imposed by the U.S. is a part of its **reciprocal tariff mechanism** under Trump's **America First economic policy**. The decision is based on some measurable factors like **India's trade surplus, Russian oil and defence equipment purchase and high Indian import duties on US goods, etc.** The Indian government is **not retaliating immediately** but is focused on **diplomatic engagement and trade diversification**. The situation marks a critical phase in **India-US trade relations** showing how economic ties are now deeply influenced by **strategic and political developments**. **India has become the fourth largest economy of the world leaving behind Japan and UK. By 2029, we will be the third largest economy leaving behind Germany.** The vision of the Modi government is to make India a developed country by the year 2047.