

INDIA'S WTO ON RETALIATORY TARIFFS: ECONOMY

NEWS: India tells WTO it may impose retaliatory tariffs worth \$724 million on U.S. imports

WHAT'S IN THE NEWS?

India has notified the WTO of its intention to impose \$724 million in retaliatory tariffs on U.S. goods after the U.S. unilaterally imposed 25% tariffs on Indian auto exports without prior consultation, violating WTO safeguard rules. This move underscores India's assertion of its trade rights under the WTO's Agreement on Safeguards.

India's WTO Notification on Retaliatory Tariffs – July 2025

What Happened

- On July 3, 2025, India formally notified the WTO of its decision to impose retaliatory tariffs worth \$723.75 million on U.S. products.
- The move is a response to the U.S. imposing 25% tariffs on Indian automobile exports (vehicles and auto parts) in March 2025 without prior consultation.
- India invoked provisions of the WTO's Agreement on Safeguards, asserting its legal right to respond to unjustified trade restrictions.

Legal Framework and India's Rights under WTO

- **GATT 1994:** Prevents arbitrary tariff hikes and supports open trade.
- **Agreement on Safeguards (AoS):**
 - Article 12.3: Requires the imposing country (U.S.) to consult the affected country (India) before applying safeguard measures.
 - Article 8.2: Allows the affected country (India) to impose retaliatory tariffs if consultations are bypassed.
- India argues the U.S. failed to comply with these obligations, justifying the proposed suspension of concessions.

Economic Impact and Data

- Affected Indian exports: ~\$2.89 billion (mostly vehicles and components).
- Calculated duty loss: ~\$723.75 million annually.
- Retaliatory value India seeks: ~\$724 million.
- This follows a similar move earlier in 2025 when India sought \$1.91 billion retaliation over steel and aluminium tariffs.

Diplomatic and Strategic Timing

- This notification comes as India–U.S. are finalizing a mini trade deal, adding potential diplomatic leverage for India.
- Reflects India's evolving post-COVID, Atmanirbhar Bharat-era assertiveness on trade sovereignty.

Broader Trade and Legal Dimensions

- **India's Strategic Evolution:**
 - From passive WTO diplomacy to active, rule-based assertion of rights.
 - Demonstrates legal and procedural sophistication in trade negotiations.
- **India–U.S. Trade Frictions:**
 - Persistent disputes: Generalized System of Preferences (GSP) withdrawal (2019), digital tax, steel/aluminium tariffs, now auto tariffs.
 - Despite tensions, mutual interests in tech, services, and defense persist.
- **India's Trade Identity:**
 - India positions itself as a WTO-compliant country defending its industries.
 - Challenges the selective protectionism of the Global North.

Challenges in WTO System

- U.S. didn't formally declare its tariffs as "safeguards," yet India treats them as such under AoS.
- WTO's **Appellate Body** remains defunct since 2019, limiting enforceability of rulings.
- Raises the issue of whether major powers can bypass WTO norms with impunity.

India at WTO: Latest Context

- **Rank:** 18th in goods exports, 8th in services (WTO 2024).
- **Bilateral Trade with U.S.:** \$131.84 billion in 2024.
- **WTO Cases:** India has been complainant in 24 and respondent in 33 disputes.
- Key focus areas: Food security, digital trade rules, fisheries, and e-commerce regulation.

WTO – At a Glance

- Established in 1995, succeeding GATT.
- Headquartered in Geneva; 164 members covering over 98% of world trade.
- Functions via key agreements: GATT (goods), GATS (services), TRIPS (IPR), AoA (agriculture).

- Dispute Settlement Mechanism weakened due to U.S. blocking Appellate Body appointments.
- India actively participates in reform demands, seeking special treatment for developing nations and more balanced digital trade norms.

Critical Evaluation

- **India's Legal Stand:** Strong and WTO-compliant, showcasing use of proper legal channels.
- **Strategic Diplomacy:** Maintains pressure while keeping negotiation windows open.
- **Challenges to Multilateralism:** Undermines WTO credibility if rule-based norms are ignored by major powers.
- **Need for Reform:** Highlights urgent need to revive the Appellate Body and strengthen multilateral dispute resolution.

Source: <https://www.thehindu.com/business/Economy/at-wto-india-proposes-retaliatory-duties-against-us-over-auto-tariffs/article69772514.ece#:~:text=The%20Indian%20government%20has%20notified,auto%20mobiles%20and%20parts%20from%20India.>