# US TARIFF ON INDIAN IMPORTS - ECONOMY

The US raised the additional tariff on India, citing New Delhi's continued purchase of Russian oil, making India, along with Brazil, the highest tariffed country by the US. India is assessing the impact and protecting national interests while negotiating a Bilateral Trade Agreement, criticizing the U.S. and EU for double standards in importing Russian goods while targeting India's oil purchases. Also, India defended its energy policy as a matter of national security, stressing that oil imports are driven by market factors and energy security needs for its 1.4 billion people.

## Factors Leading to the US Imposing Tariff on India

**1.Stalled Trade Negotiations**

Multiple rounds of bilateral trade talks between India and the US failed to produce a comprehensive agreement. The US expressed dissatisfaction with India's cautious stance on opening sensitive sectors like agriculture and dairy, which hindered progress toward a mutually beneficial trade pact.

**2. High Tariffs and Non-Tariff Barriers**

The US has repeatedly flagged India's relatively high tariff rates and restrictive non-tariff barriers.

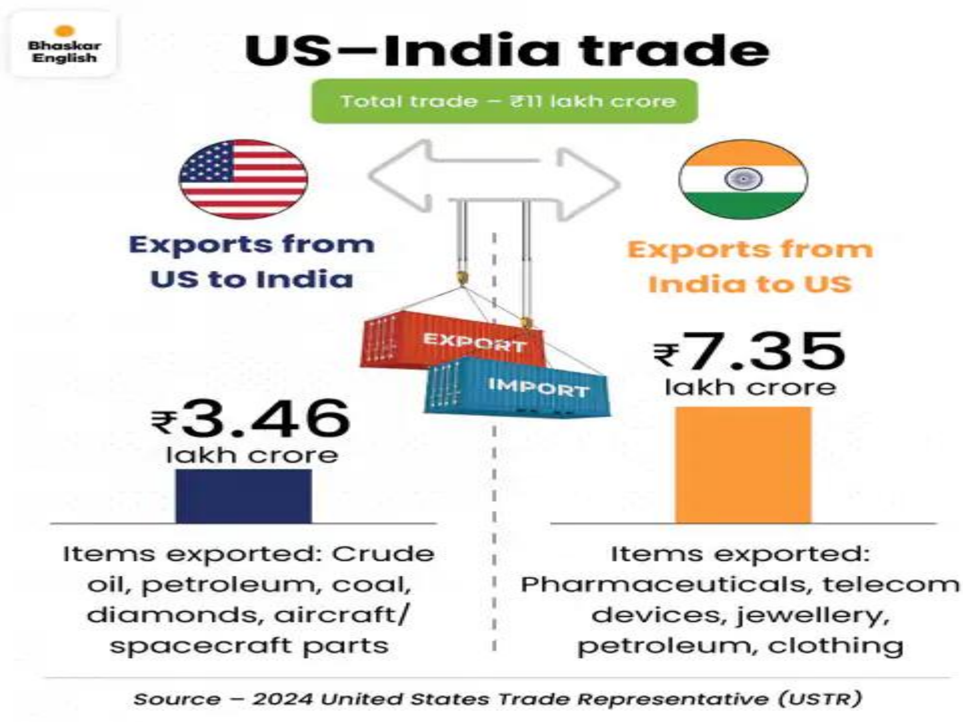
Concerns were particularly strong in sectors like pharmaceuticals, electronics, and agriculture, where market access remains limited for American companies, creating an imbalance in trade opportunities.

**3.Purchase of Russian Oil and Defense Equipment**

India's ongoing import of Russian crude oil and procurement of Russian military hardware raised concerns in Washington. The US views such purchases as undermining the enforcement of sanctions against Russia, especially in the backdrop of geopolitical tensions.

**4.US Trade Deficit with India**

The US has highlighted its persistent trade deficit of around $45 billion with India. This imbalance is seen as a contributing factor for imposing tariffs, aiming to protect US industries and reduce the deficit. The US has secured favorable trade terms with other partners like Japan and Vietnam. As a result,



there is growing pressure on India to align with such competitive terms to maintain its export position in global markets.

## Key Highlights of India–US Trade Relations

**1.India's Largest Trading Partner**

In 2024–25, the US remained India's largest trading partner for the fourth consecutive year, with total bilateral trade reaching $131.84 billion.

**2.Growth in Agricultural Trade**

India's agricultural imports from the US surged by 49.1% in the first half of 2025, totaling $1,693.2 million. Exports from India to the US in the same period grew by 24.1%, reaching $3,472.7 million.

**3.FDI Inflows**

The US contributed $4.99 billion in FDI to India in FY 2023–24, making it the third-largest source of foreign direct investment for India.

**4.SME Cooperation**

In 2024, both nations signed a Memorandum of Understanding (MoU) to promote cooperation in Small and Medium Enterprises (SMEs), highlighting their shared interest in fostering innovation and business growth.

**5.Energy Trade Context**

Between December 2022 and June 2025, India imported around 38% of Russia's crude exports, making it the second-largest buyer after China. This trend has been noted by the US in its policy stance toward India's trade practices.

## Implications of the US Tariff on India

**1.Impact on Oil Imports**

India imports 88% of its crude oil, with over 35% coming from Russia. The US tariff decision is partially influenced by this dependence, as Washington seeks to discourage energy trade with Moscow.

**2.Significant Hit to Exports and Key Sectors**

The tariff will directly impact 10% of India's total exports to the US, affecting goods worth nearly $87 billion annually. Sectors most at risk include electronics (especially smartphones), pharmaceuticals, textiles, garments, gems and jewellery, and automobile components.

**3.Broader Export Impact**

The additional tariff could affect up to 65% of India's exports to the US, with vulnerable categories including textiles, gems, footwear, chemicals, and machinery.

**4.Economic Growth and Job Pressure**

The Asian Development Bank has revised India's FY 2025–26 GDP growth forecast from 6.7% to 6.5% due to the anticipated slowdown in export-driven growth. Labor-intensive sectors like textiles and jewellery could see significant job losses.

**5. Loss of Cost Competitiveness**

Higher tariffs make Indian goods more expensive compared to those from countries like Vietnam, Indonesia, and Japan. This may push US buyers to switch to alternative suppliers, weakening India's "China plus one" advantage in global supply chains.

**6. Strain on Diplomatic and Trade Relations**

The move disrupts the momentum in India–US trade negotiations and reduces prospects for preferential trade treatment for India. Broader disagreements on agricultural access, industrial policies, and Russia ties could prolong the standoff.

**7.Financial Market Impact**

Indian stock markets reacted negatively, with over 40 export-focused listed companies experiencing sharp declines in share prices. Exporters face the dilemma of either absorbing tariff costs (hurting margins) or passing them on to buyers (risking reduced demand).

## Measures to Reduce the Impact of the US Tariff on India

**1. Accelerate Negotiations**

India is deepening talks with the US to secure a “fair and balanced” trade deal.Additional negotiation rounds are scheduled in August 2025, with scope for tactical compromises while safeguarding sensitive sectors like agriculture and MSMEs.

**2.Diversify Export Markets**

India is expediting free trade agreements with the European Union, Gulf nations, EFTA, and East Asian economies. The goal is to reduce dependency on the US market and offset potential export losses.

**3. Enhance Domestic Competitiveness**

Structural reforms, productivity enhancement, and innovation are needed to make Indian goods globally competitive despite tariffs. Moving up the value chain in sectors like textiles, engineering, electronics, and pharmaceuticals can ensure sustained demand.

**4.Support Vulnerable Sectors**

The government may extend targeted subsidies, faster export duty refunds, credit facilities, and marketing support to industries like textiles, auto components, and jewellery. Such measures can cushion the immediate blow and protect jobs.

**5.Strategic Diversification of Energy Imports**

Reducing reliance on Russian crude oil by sourcing more from the Middle East, Africa, and other regions can mitigate geopolitical risks. This diversification should be paired with domestic energy reforms to attract investments in renewable and sustainable energy.

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