Impact of Trump’s Tariffs on India: Sectors Affected, Trade Talks, and Future Prospects

August 3, 2025 • vajiramandravi.com

Trump’s Tariffs on India Latest News

- U.S. President Donald Trump announced a 25% tariff plus an additional penalty on Indian imports, ending months of speculation.
- However, this move has introduced fresh uncertainty over the prospects of a bilateral trade agreement between India and the U.S., complicating future trade negotiations.

Trump Imposes Tariffs on India

- U.S. President Donald Trump announced a **25% tariff on Indian imports**, citing India’s **tariff and non-tariff barriers** and its **energy and defense dealings with Russia** as key reasons.
- While details of the additional penalty remain unclear, Trump has previously threatened a **10% extra tariff on BRICS nations**, which could raise India’s effective tariff rate to **35%**.

- Additionally, pending U.S. legislation proposes a **500% tariff on India, China, and Brazil** for their continued engagements with Russia, adding further uncertainty to India-U.S. trade relations.

Impact of Trump’s Tariffs on Indian Economy and Key Export Sectors

- While U.S. importers will bear the direct cost of the new tariffs, Indian goods will become less competitive and more expensive in the U.S. market.
- On a macroeconomic level, the tariffs are expected to reduce India’s GDP growth by 0.2%, lowering forecasts from 6.6% to 6.4%, according to Bank of Baroda research.
- However, the real impact will be sector-specific, hitting industries like garments, precious stones, auto parts, leather goods, and possibly electronics.
    - These sectors may face pricing disadvantages compared to competitors from Vietnam, South Korea, and Indonesia, who benefit from lower tariffs.
- Exporters in these sectors will need to rework their strategies to stay competitive.

The Breakdown of India-U.S. Trade Talks Leading to Tariffs

- In February 2025, Prime Minister Narendra Modi and President Donald Trump announced plans to finalise the first tranche of a bilateral trade deal by fall, a move seen as a positive commitment to strengthening ties.
- This announcement came ahead of Trump’s broader reciprocal tariffs strategy, which pressured other countries to enter negotiations with the U.S.
- However, on April 2, Trump launched his Liberation Day tariffs, imposing a 10% baseline tariff globally and additional country-specific tariffs, with India facing a 26% total tariff.
- Following backlash, Trump announced a 90-day pause to allow for bilateral negotiations aimed at reducing trade deficits.
- The pause, initially set to expire in July, was extended until August 1, but no breakthrough was reached, leading to the imposition of tariffs.

Multiple Frictions Strain India-U.S. Trade Relations

- While no single incident has soured India-U.S. ties, several points of friction have built up in recent months.
- President Trump has consistently **criticised India’s tariff and non-tariff barriers** and has also raised concerns about I**ndia’s continued energy and defense dealings with Russia**, accusing it of indirectly financing the Ukraine war.
- India, however, has defended its **energy security strategy**, with Russia supplying 35-40% of its oil imports.
- Additionally, **India’s refusal to open its agriculture and dairy sectors** to foreign competition remains a major sticking point, as it protects vulnerable domestic farmers.
- Tensions escalated further when **Trump claimed credit for the India-Pakistan ceasefire** (Operation Sindoor), a claim firmly rejected by India.
- In response to U.S. tariffs on Indian goods like steel and aluminium, India has informed the WTO of its right to impose retaliatory tariffs.

- These cumulative issues have set the stage for Trump’s recent tariff imposition, reflecting the growing strains in bilateral ties.

India Faces Imminent Tariffs Amid Uncertain Trade Deal Prospects

- Despite discussions of a potential “mini-deal” to ease reciprocal tariffs, U.S. President Donald Trump’s recent tariff announcement signals that such a deal is unlikely in the near term.
- Both India and the U.S. remain committed to finalising a broader trade agreement by **fall 2025**, but progress has been complicated by Trump’s decision to **link India’s Russia engagements to trade negotiations**.
- So far, five rounds of talks have been held, with the next U.S. delegation visit scheduled for late August.
- Meanwhile, Trump’s Executive Order, dated July 31, mandates that tariffs on Indian imports will take effect within 7 days, making the imposition of duties imminent and unavoidable for now.

Source: TH

Source: https://vajiramandravi.com/current-affairs/impact-of-trumps-tariffs-on-india-sectors-affected-trade-talks-and-future-prospects/
© Vajiram & Ravi. For personal use only.