

US Tariff Reset - Global Trade Uncertainty and Implications for India

March 22, 2026 • vajiramandravi.com



US Tariff Reset Latest News

- A recent ruling by the US Supreme Court striking down tariffs imposed under the International Emergency Economic Powers Act (IEEPA) has disrupted the legal foundation of U.S. trade policy.
- In response, the U.S. administration has imposed temporary 10% global tariffs under Section 122 and is exploring a **more durable tariff** regime through **Section 301** investigations by the United States Trade Representative (USTR).
- This shift has created uncertainty in ongoing and prospective trade agreements, including the **India-U.S. trade deal**.

Shift in US Trade Strategy

- **From IEEPA to Section 122 and Section 301:**
 - IEEPA-based tariffs were invalidated, undermining earlier “reciprocal tariff” arrangements.

- Temporary 10% global tariffs are imposed under Section 122 of the **Trade Act, 1974** (valid till July).
- The USTR is now pursuing Section 301 investigations to –
 - Establish a new legal basis for tariffs.
 - Enable country-specific and sector-specific tariffs.
 - Replace Section 122 tariffs before expiry.
- **Fast-track investigations:** Section 301 probes are being conducted rapidly. They allow the executive to impose long-lasting and flexible tariff measures **without** Congressional **approval**.

Rationale Behind Section 301 Investigations

- **Key grounds for investigation:**
 - Structural excess capacity in manufacturing sectors.
 - Overproduction and export distortions.
 - Use of forced labour in supply chains.
- **Strategic objective:**
 - Recreate a reciprocal tariff framework with stronger legal backing.
 - Maintain trade pressure even on countries that have signed agreements.

Impact on Global Trade Agreements

- **Erosion of existing trade deals:**
 - Countries like Japan, South Korea, Vietnam, Indonesia, Bangladesh, India, and the EU had accepted tariffs of **15-20%** and offered significant concessions on market access, procurement, and regulations.
 - With uniform 10% tariffs post-ruling, earlier concessions appear politically costly and economically redundant.
- **Global reactions:**
 - Malaysia declared its trade agreement with the U.S. null and void.
 - The European Commission has put EU-U.S. trade talks on hold, seeking clarity on future U.S. tariff policy.
 - **South Korea** has expressed concerns over investment commitments and currency stability.

Implications for India

- **Trade and tariff concerns:**
 - India faces Section 301 scrutiny for excess capacity in sectors like solar modules, petrochemicals, steel.
 - In 2025, India had a bilateral trade surplus with the US of **\$58 billion**.
- **Comparative advantage consideration:** Any India-U.S. trade deal will depend on India's tariff advantage in the U.S. market, the structure of new U.S. tariffs.
- **Uncertainty in trade negotiations:** Even negotiated deals may not guarantee protection from future investigations, stability in tariff treatment.

Key Challenges

- **Legal and policy uncertainty:** Frequent shifts in U.S. tariff frameworks undermine predictability.
- **Weakening multilateralism:** Rise of unilateral tariff actions over WTO-based dispute resolution.
- **Erosion of trust in trade agreements:** Countries question the value of concessions when tariff benefits are not assured, trade pressure persists.
- **Impact on global supply chains:** Increased tariffs may disrupt value chains, raise production costs, encourage protectionism.

Way Forward

- **For India:**
 - **Diversify** export markets to reduce U.S. dependency.
 - Strengthen domestic manufacturing competitiveness (**PLI** schemes, logistics).
 - Engage in strategic trade negotiations focusing on stable tariff commitments, dispute resolution mechanisms.
 - Align with like-minded countries to revive multilateral trade norms.
- **For Global trade system:**
 - **Reinforce** rules-based trading order under WTO.
 - Ensure legal certainty in tariff regimes.
 - Promote transparent and predictable trade policies.

Conclusion

- The U.S. shift from IEEPA-based tariffs to a Section 301-driven framework marks a significant recalibration of global trade dynamics.
- While it aims to provide a stronger legal basis for tariffs, it has simultaneously **eroded trust** in trade agreements and heightened uncertainty.
- For India and other trading partners, the challenge lies in navigating this evolving landscape by **balancing** strategic engagement with economic self-reliance and diversification.

Source: IE

Source: <https://vajiramandravi.com/current-affairs/us-tariff-reset-global-trade-uncertainty-and-implications-for-india/>

© Vajiram & Ravi. For personal use only.