



US Tariff on Indian Imports

For Prelims: [India-U.S. Trade Relations](#), [Tariff on India](#), [Bilateral Trade Agreement](#), [India-Russia Defense Ties](#)

For Mains: Implications of US Tariff Policy on [India-U.S. Trade Relations](#).

[Source: TH](#)

Why in News?

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.

What Factors Led to the US Imposing Tariff on India?

- **Stalled Trade Negotiations:** Despite several rounds of talks, India and the US were unable to reach a **trade agreement**, with the US expressing concerns over India's cautious approach to **liberalizing sensitive sectors** like agriculture and dairy.
- **High Tariffs and Barriers:** The US raised concerns about [India's high tariffs](#) and certain [non-tariff barriers](#), particularly in pharmaceuticals, electronics, and agriculture, which create market access imbalances.
- **Purchase of Russian Oil and Defense Equipment:** The US voiced concerns over India's continued purchase of Russian oil and military equipment, suggesting potential measures due to its impact on sanctions enforcement.
- **US Trade Deficit with India:** The US highlighted a **persistent \$45 billion trade deficit** with India, which has influenced its consideration of tariffs to address trade imbalances.
- **Comparative Pressure:** As the US secured favorable deals with partners like Japan and Vietnam, **India faces increasing pressure** to align with these terms and remain competitive in global trade.

Key Highlights of India-US Trade Relations

- In **2024-25**, the **US remained India's largest trading partner** for the fourth consecutive year, with bilateral trade reaching **\$131.84 billion**.
 - [India's agricultural imports](#) from the U.S. rose by 49.1% in the first half of 2025, reaching \$1,693.2 million, while exports to the U.S. grew by 24.1%, totaling \$3,472.7 million.

- **FDI** inflows from the US to India totaled \$4.99 billion in FY 2023-24, marking the US as **India's third-largest source** of foreign direct investment.
- In 2024, both countries signed a Memorandum of Understanding (MoU) to promote cooperation on **Small and Medium Enterprises (SMEs)**, highlighting mutual interest in boosting sectors that support innovation and growth.
- As per **Centre for Research on Energy and Clean Air**, between December 2022 and June 2025, the **EU was the largest buyer of Russian liquefied natural gas** (51%) and pipeline gas (37%), while China purchased 47% of Russia's crude exports, followed by India (38%), the EU (6%), and Türkiye (6%).

What are the Implications of the US Tariff on India?

- **Oil Imports:** India imports **88% of its crude oil**, with a significant portion (over 35% of its crude oil) **coming from Russia**, a factor influencing the US tariff decision, as India seeks affordable energy to meet its growing demand, while balancing geopolitical considerations in its energy sourcing.
- **Significant Hit to Exports and Key Sectors:** The US tariff will directly impact about **10% of India's total exports** to the US, affecting nearly **\$87 billion worth of goods annually**.
 - Sectors most at risk include electronics (notably smartphones), pharmaceuticals, textiles, garments, **gems and jewellery**, and automobile components.
 - The additional tariff could affect 65% of India's exports to the US, covering sectors like textiles, gems, footwear, chemicals, and machinery.
- **Pressure on Economic Growth and Jobs:** Economists predict a negative impact on **India's GDP growth**, with the **Asian Development Bank** revising its FY 2025-26 forecast down to 6.5% from 6.7%, in its July 2025 report.
 - Analysts warn of **job losses** across export-linked industries, especially textiles and jewellery, which are labor intensive and heavily reliant on the US market for sales.
- **Loss of Cost Competitiveness:** India's products are now less competitive compared to those from other Asian countries like Vietnam (facing only a 20% US tariff), Indonesia, and Japan.
- This **comparative disadvantage could push US buyers to substitute Indian goods** with alternatives from countries facing lower tariffs, threatening India's position as a leading **"China plus one" manufacturing hub** in global supply chains.
- **Disruption to US-India Trade Relations:** The move **strains diplomatic ties** and derails expectations of India securing preferential trade treatment from the US. It could force India to fast-track negotiations or make further trade concessions.
 - The standoff also signals **broader disagreements** around India's economic policies, agricultural market access, and ties with Russia, making future deals more uncertain.
- **Financial Market and Business Impact:** Indian stock markets initially reacted negatively to the announcement, and over 40 Indian-listed export-focused companies faced sharp drops in share prices.
 - Exporters may need to absorb part of the tariff or pass on costs, causing **possible demand destruction** and shrinking profit margins.

US-India trade

Total trade – ₹11 lakh crore



Exports from
US to India

₹3.46
lakh crore

Items exported: Crude oil, petroleum, coal, diamonds, aircraft/spacecraft parts



Exports from
India to US

₹7.35
lakh crore

Items exported: Pharmaceuticals, telecom devices, jewellery, petroleum, clothing

Source – 2024 United States Trade Representative (USTR)

What Can be Done to Reduce the Impact of US Tariff on India?

- **Accelerate Negotiations:** The Indian government is already deepening trade talks with the US and has signaled commitment to securing a “**fair, balanced, and mutually beneficial**” agreement.
- Both governments have scheduled additional rounds of negotiations in August.
- **Speeding up negotiations** and exploring tactical compromises (without jeopardizing core interests like agriculture and MSMEs) could help roll back or moderate tariffs in the coming months.
- **Diversify Export Markets:** Indian policymakers and industry leaders are actively working to expand trade relationships with other major economies. Fast-tracking free trade agreements with the [European Union](#), [Gulf nations](#), [EFTA](#), and the [East Asian bloc](#) can help Indian businesses reduce their dependency on US buyers and recoup lost demand.
- **Enhance Domestic Competitiveness and Product Value:** Industry experts recommend focusing on [structural reforms](#), boosting productivity, and innovating to make Indian products more competitive globally.
- This includes **moving up the value chain in textiles**, engineering, electronics, and

pharmaceuticals so that even with tariffs, Indian exports remain attractive due to quality, technology, or unique advantages.

- **Support and Protect Vulnerable Sectors:** The government has emphasized protection for key export sectors like **textiles, auto components**, gems and jewellery, and MSMEs.
- Possible measures include **targeted subsidies**, faster refunds of export duties, export credit, and marketing assistance to cushion the immediate impact and assist businesses in weathering the demand shock.
- **Strategic Diversification:** India should reduce its reliance on **Russian crude oil**, by diversifying imports from the Middle East, and Africa, and should avoid overdependence on a single supplier.
- This shift should support **domestic sourcing**, aiming to **strengthen supply chain resilience** and attract investment in more **sustainable energy** practices.

Drishti Mains Question:

Q. Critically analyze the implications of the U.S. decision to impose tariffs on imports from India. What measures should India adopt to mitigate the negative impact of these tariffs?

UPSC Civil Services Examination, Previous Year Question (PYQ)

Q. 'What introduces friction into the ties between India and the United States is that Washington is still unable to find for India a position in its global strategy, which would satisfy India's National self-esteem and ambitions'. Explain with suitable examples. **(2019)**

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