Trump’s reciprocal tariffs

Impact on India

US imposes 25% reciprocal tariffs on India effective from 7 August 2025

Background

On 2 April 2025, US President Donald Trump announced reciprocal tariffs against several countries, including India (26%), but paused the implementation of these duties for 90 days. This set a negotiation window for all trading partners to reach a trade deal with the US by 9 July 2025.

On 7 July 2025, Trump issued an Executive Order (EO) extending the suspension of the reciprocal tariffs announced on 2 April until 1 August 2025. The extension provided much-needed relief to Indian exporters and offered both governments additional time to resolve pending trade issues.

Recent announcements

On 31 July 2025, Trump issued an EO, further modifying the reciprocal tariffs first announced on 2 April 2025, formally imposing new reciprocal tariffs on 69 countries. Key highlights of the order are as follows:

- A **25% additional ad valorem duty** will be levied on the imports from India as prescribed in Annex I of the order.
- While countries like Laos, Syria, and Myanmar will face steep new levies of 40% and above, others such as the United Kingdom and Brazil have been relatively spared, facing tariffs as low as 10%.
- These tariffs will be effective from **7 August 2025.**
- For countries not listed in Annexure I to the order, the goods will be subject to an additional ad valorem duty of 10%.
- This action follows a series of earlier EOs 14257 (2 April 2025), 14266 (9 April 2025), and 14298 (12 May 2025), and is aimed at addressing persistent US trade deficits, which have been deemed a national security threat.
- The new order updates the Harmonised Tariff Schedule of the United States (HTSUS) to implement country and product-specific duties.

- It also introduces strict anti-evasion measures, including a punitive 40% duty on goods found to be transshipped to circumvent tariffs, and provides for enhanced monitoring and regulatory enforcement by the Secretary of Commerce and the US Trade Representative.
- Goods already in transit prior to the effective date are subject to transitional provisions.
- These measures have been enacted under the authority of the International Emergency Economic Powers Act (IEEPA), the National Emergencies Act, Section 604 of the Trade Act of 1974, and Title 3 of the US Code.
- Tariff actions and compliance requirements on China, as governed by Executive Order 14298, remain unaffected by this latest directive.

Our comments

The imposition of a 25% reciprocal tariff by the US on imports from India is a significant development that could impact India's export competitiveness, particularly in sectors such as gems and jewellery, textiles, engineering goods, and processed foods - many of which have built substantial market share in the US due to their cost-effectiveness and quality.

This move necessitates an immediate reassessment of pricing strategies, supply chain arrangements, and contractual commitments, while also demanding heightened compliance vigilance in view of stricter anti-evasion provisions and increased regulatory oversight by US authorities.

In light of the new 25% US tariff, exporters should reassess their pricing and margins to stay competitive, explore alternative markets with favourable trade terms, and evaluate supply chain realignments that comply with the rules of origin. Engaging actively with trade bodies to voice sectoral concerns and leveraging existing or upcoming FTAs will also be key to mitigating risks and reducing dependence on the US market.

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