POLICY BRIEF #37

Trump's Tariff Gamble:

Likely Implications for India and How to Navigate it

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Abstract

On April 2, 2025, US President Donald Trump signed an executive order titled 'Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits'. This order is a 'once in a century' decisive policy shift to 'correct' the world trade order. Trump's reciprocal tariff policy is rooted in concerns that widening US trade deficits (USD 1.2 trillion in 2024) stemming from non-reciprocal trade relationships, where higher foreign tariffs along with non-tariff barriers and currency manipulation, are a threat to national security and the economy. To address this, two sets of tariffs were announced. A baseline tariff (10 percent) on imports of all foreign origin goods (April 5-8, 2025) and from April 9, an additional reciprocal tariff on 57 countries (in addition to Canada and Mexico) with significant trade surpluses against the US. The announcement has led to heightened uncertainty. The additional reciprocal tariff of 26 percent imposed on India should not be seen in isolation, it must be assessed in relative terms to our export competitors. Also, it must be kept in mind that this could be Trump's tactic to force all these countries to come to negotiating table for lowering their tariffs for US exports. Hence, it should be treated as temporary phase, and we feel it will take roughly 3 to 6 months to know where the final tariffs will settle. So, patience, and wait and watch policy along with negotiations for a Bilateral Trade Agreement (BTA), may be the best course of action right now.

In any case, this policy brief analyses the likely implications of the USA's additional reciprocal tariffs on India's exports to US, with specific focus on agriculture. Through a comparative analysis based on US import demand and competing countries' tariff rates, we identify sectors/commodities where India can still expand its presence despite the 26 percent reciprocal tariffs. The policy brief also discusses how to navigate the tariffs, as India proceeds to sector-wise bilateral discussions with US.

Our research implies that India has a strategic opportunity to occupy the space that China will likely vacate in key labour-intensive and other export sectors. India's Textile & Apparel segment has a potential upside over the next few years if India can plug the gap left by our competitors (with higher tariffs)- China (54 percent), Bangladesh (37 percent) and Vietnam (46 percent). Sectors like machinery, smartphone, telecom, and networking; toys and games, leather, and footwear sector are prospective areas of growth.

India's approach to Trump's reciprocal tariff move must be constructive and not combative. The bilateral talks beginning next week should be forward looking towards Mission 500, i.e, more than doubling bilateral trade to USD 500 billion by 2030. Achieving this requires a balanced approach, opening trade flows both ways, accommodating mutual interests and addressing the USD 45.7 billion trade surplus that India enjoys over the US. In agriculture, India needs to rationalise outlier tariffs (>50 percent) and move commodity-by-commodity. India must simultaneously push for preferential market access for high-value F&V. With the right mix of diplomacy and economic strategy, India can leverage the space vacated by global players like China, who are more adversely affected by the reciprocal tariffs. Concurrently, in light of the recent developments, India must also diversify its export destinations (e.g., EU, UK) and fast-track FTA negotiations amid rising trade tensions.

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List of Abbreviations

APEDA	Agricultural & Processed Food Products Export Development Authority
CISH	Central Institute for Subtropical Horticulture
DGFT	Directorate General of Foreign Trade
EU	European Union
FTA	Free Trade Agreement
FY	Financial Year
G20	Group of Twenty
GCC	Gulf Cooperation Council
GOI	Government of India
HSN	Harmonized System of Nomenclature
HTSUS	Harmonized Tariff Schedule of United States
ICAR	Indian Council of Agricultural Research
IMF	International Monetary Fund
ITC	International Trade Centre
MFN	Most Favoured Nation
MMF	Man-Made Fibres
PMO	Prime Minister's Office
QCO	Quality Control Order
SMP	Skimmed Milk Powder
SPS	Sanitary and Phytosanitary
TAO	Tariff Analysis Online
UN	United Nations
US	United States
USMCA	United States-Mexico-Canada Agreement
WTO	World Trade Organisation

Trump's Tariff Gamble: Likely Implications for India and how to navigate it

Ashok Gulati, Sulakshana Rao and Tanay Suntwal

1. Introduction

US President Donald Trump declared April 2, 2025, as the 'Liberation Day', by signing an executive order titled 'Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits'. This was not an ordinary executive order but 'once in a century' decisive policy shift to 'correct' the world trade order. From Trump's point of view, this is a gamble, grounded in the long-held belief that US has been "looted, pillaged, raped and plundered by nations near and far, both friend and foe alike" (Trump's Rose Garden remarks, verbatim, 2025). Trump made it amply clear that it is not going to continue like that under his watch. Hence this Tariff order.

According to UN Comtrade data, United States is the world's largest importer (13.23 percent in world imports) and the second largest exporter of goods. In 2024, the US imported goods worth USD 3.3 trillion, and exported USD 2.04 trillion, with a trade deficit of USD 1.2 trillion. US is a major importer of data processing machinery, smartphones, electronic circuits, automobiles, motor vehicle parts, textiles etc., while its key exports include petroleum oils, mineral fuels, mineral oils, organic chemicals, and medicines (UN Comtrade, 2024). Trump's reciprocal tariff policy is rooted in concerns that persistent US trade deficits have eroded domestic manufacturing (US share in global manufacturing has declined from 28.4 percent in 2001 to 17.4 percent in 2023, as per UN data), weakened supply chains, and country is facing rising debts (USD 36.22 trillion in 2024, US Treasury data).

Trump administration contends that these imbalances stem from non-reciprocal trade relationships, where higher foreign tariffs along with non-tariff barriers and currency manipulation, have unfairly disadvantaged US exporters. The numbers support their concern (**Table 1, Figure 1**). The goods trade deficit alone stood at USD 1.2 trillion. China remains the biggest driver of this deficit, accounting for USD 295.4 billion (about 24 percent), followed by the EU (USD 236.7 billion; about 20 percent), Mexico (USD 181.5 billion; about 15 percent), Vietnam (USD 123.5 billion; about 10 percent) and Canada (USD 70.6 billion; about 5.8 percent). India ranked 10th with a trade deficit of USD 45.7 billion (3.8 percent) against the US. But what is even more striking is the pace at which America's trade deficit with certain countries has grown. Between 2020 and 2024, while the overall trade deficit of US increased by 32.7 percent, its deficit with Canada grew by 278.5 percent, followed by South Korea (161 percent), Taiwan (147.1 percent), and India (88.1 percent).

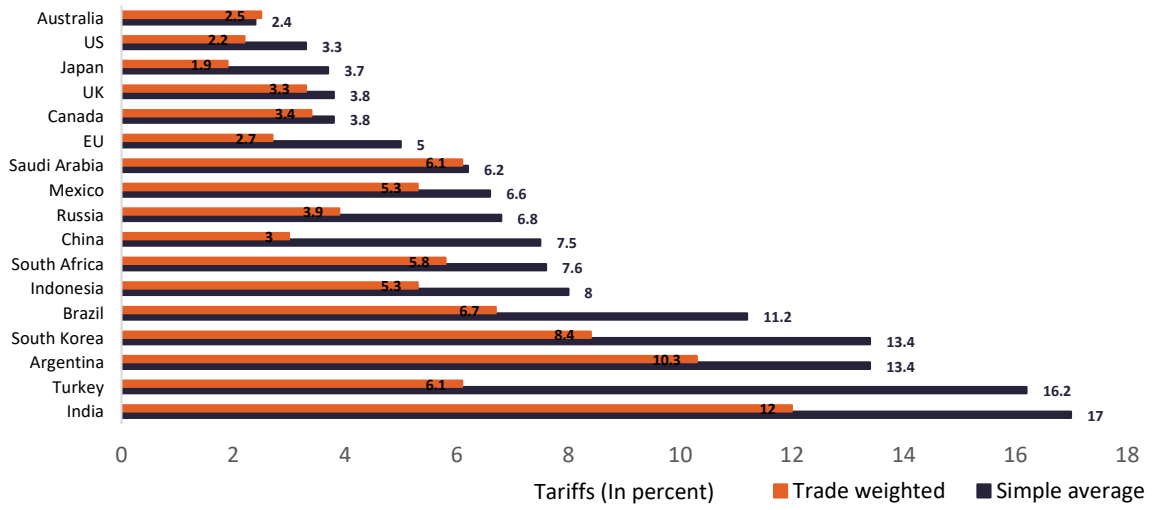
Table 1: US trade deficit with major trading partners (USD billion, 2020-24)

Country	2020	2021	2022	2023	2024	Percentage share (2024)	Growth rate (2020-24)	Additional reciprocal tariffs by USA
China	-307.4	-352.1	-381.1	-278.7	-295.4	24.4	-3.9%	54% (20+34) %
EU	-183.9	-219.2	-204.4	-201.6	-236.7	19.5	28.7%	20%
Mexico	-116.3	-111.4	-135.8	-161.4	-181.5	15.0	56.1%	0%* (25%)
Vietnam	-69.7	-90.9	-116.2	-104.6	-123.5	10.2	77.2%	46%
Canada	-18.7	-54.5	-86.8	-72.3	-70.6	5.8	278.5%	0%* (25%)
Ireland	-55.4	-60.2	-66.6	-65.5	-86.7	7.2	56.5%	20%
Japan	-55.8	-60.5	-67.6	-71.9	-68.5	5.7	22.6%	24%
Taiwan	-29.9	-39.8	-47.0	-47.3	-73.9	6.1	147.1%	32%
Korea	-25.3	-29.6	-43.1	-51.0	-66.0	5.4	161.0%	25%
India	-24.3	-33.8	-38.6	-43.2	-45.7	3.8	88.1%	26%
#Others	-26.1	-39.6	7.2	34.3	36.8	-3%	-240.7%	
Total	-912.9	-1091.4	-1179.9	-1063.3	-1211.7	100%	32.7%	

*Source: US Bureau of Economic Analysis (US BEA), The White House (2025), * Countries under USMCA agreement, Trump imposed 25 percent tariff on March 4,2025 # "Others" represents a surplus of USD 36.8 billion*

On the tariff front, the White House emphasized that while WTO members have committed to binding their tariff rates on MFN basis ensuring equal treatment for all member countries, they are not obligated to set these tariffs on a reciprocal basis. According to WTO Tariff profiles (2024), **Figure 1,** the United States maintains one of the lowest simple average MFN tariff rates (3.3 percent) and there is a disparity across other key trading partners China (2.3 times), Brazil (3.4 times), Canada (1.2 times), Mexico (2.1 times), the EU (1.5 times), and India (5 times).

Figure 1: MFN tariff structure among G20 countries (2023)



Source: WTO Tariff profiles, 2023

The imbalance is even worse for agricultural products. India's agricultural tariffs are 7.8 times higher than what the US imposes on Indian farm exports. Canada (2.96 times), Mexico (2.38 times), the EU (2.16 times), and China (2.8 times) also maintain significantly higher agricultural tariffs. US also specified the non-tariff barriers, including SPS measures, domestic economic policies, currency practices, value-added taxes, and other market distortions, which have driven the persistent rise in US trade deficit (The White House, Executive order, April 2, 2025).

Citing these reasons, Trump declared a national emergency citing ongoing US goods trade deficits as a threat to national security and the economy. To address this, two sets of tariffs were announced.

> ***The White House, Executive order, April 2, 2025***- "*Sec. 2. Reciprocal Tariff Policy. It is the policy of the United States to rebalance global trade flows by imposing an additional ad valorem duty on all imports from all trading partners except as otherwise provided herein. The additional ad valorem duty on all imports from all trading partners shall start at 10 percent and shortly thereafter, the additional ad valorem duty shall increase for trading partners enumerated in Annex I to this order at the rates set forth in Annex I to this order. These additional ad valorem duties shall apply until such time as I determine that the underlying conditions described above are satisfied, resolved, or mitigated. The rates of duty established by this order are in addition to any other duties, fees, taxes, exactions, or charges applicable to such imported articles.*"

An additional reciprocal tariff was imposed on 57 countries (in addition to Canada and Mexico) as listed in Annex 1 of the Executive order, with significant trade surpluses against the US. Certain commodities are exempt from additional tariffs including copper, gold, pharmaceuticals, semiconductors, lumber articles, certain critical minerals, and energy and energy products. Prior to this (on March 26, 2025), US had already declared 25 percent tariff to imported passenger vehicles (sedans, SUVs, crossovers, minivans, cargo vans) and light trucks, as well as key automobile parts (engines, transmissions, powertrain parts, and electrical components) (The White House,2025b); and on March 04, 2025, US had already announced 25 percent tariffs on goods that do not satisfy US-Mexico-Canada Agreement (USMCA) rules of origin (The White House,2025c) alongside additional 20 percent on goods from China and Hong Kong. For Canada and Mexico (within the purview of USMCA) all goods under the terms of general note 11 to the Harmonized Tariff Schedule of the United States (HTSUS), continue to be eligible to enter the US market under these preferential terms (The White House, 2025).

It may be worth noting why the Trump administration has put 25 percent duty on passenger vehicles on priority basis. In US, annual sales of passenger vehicles hover around 16 million. Almost half of this (8 million) are imported from Europe (especially Germany), Japan, Mexico, South Korea, etc. The other half, which are produced within US also use imported auto parts worth half of the car value. So, literally, pure US made vehicles are only 4 million out of 16

million. This slide has taken place over years primarily due to low import duties in US (2.5 percent vs Germany's 10 percent). This resulted in destruction of thousands of jobs in auto industry in US, and Detroit, once the hub of automobiles, has lost its lustre. President Trump wants to resurrect its auto-industry and bring back good engineering jobs by raising the tariffs from 2.5 percent to 25 percent.

However, the April 2 order has used a puzzling methodology to work out how much each trading country's import tariffs are on US goods exports. It divides a country's trade surplus with the US by its total exports to the US, and then halves the result to determine the additional 'discounted' tariff rate. This method effectively targets countries with larger trade surpluses relative to their exports, making the tariffs punitive rather than reciprocal. The use of this methodology has thrown some weird results. For example, EU, with a trade surplus of USD 235.6 billion against total exports of USD 605.8 billion, faces an additional reciprocal tariff of 20 percent. Indonesia, with a trade surplus of USD 17.9 billion and exports worth USD 28.1 billion, faces a 32 percent tariff. India, with a trade surplus of USD 45.7 billion against exports of USD 87.4 billion, is subjected to a 26 percent tariff, while Vietnam, with a surplus of USD 123.5 billion and exports of USD 136.6 billion, faces additional 46 percent tariff. By implementing this formula, the US is not addressing tariff differentials but is instead imposing trade penalties under the disguise of reciprocity.

Many countries have retaliated, Canada has announced countermeasures, imposed a 25 percent tariff on US automobiles (Canada Prime Minister's office, 2025), and the EU is reportedly considering countermeasures. China has slapped a 34 percent duty on American goods (CNN, 2025), to which Trump issued ultimatum to China to withdraw or face 50 percent more tariffs. We do not know when the trade war will stop. Trump administration has also claimed that about 50 countries have approached them to negotiate trade deals. For instance, Trump declared Vietnam has agreed to slash their tariffs to zero if a deal was reached. President Trump loves making deals, country by country, and in the process, WTO rules of trading system, especially those dealing with MFN tariffs, have become irrelevant.

Organisations like WTO, IMF have raised concerns over Trump's reciprocal tariffs. They have clearly stated that these tariffs represent a significant risk to the global outlook at a time of sluggish growth. Many economists are projecting that this will lead to global recession and everyone will be worse off. The jury on this is still out, it will take months or may be one to two years, to know how the economic activity in different countries is impacted. Also, we do not know yet whether these reciprocal tariffs will stay for long, especially if the impacted countries are ready to make deal with US for lowering their own tariffs on US goods exports. Trump has hinted that he will be willing to reduce tariffs, if he reaches for a reasonable deal with those countries.

However, it is pertinent to highlight that US consumers have benefitted by the low tariff regime with a wide access to range of imported goods at cheaper prices, and the reciprocal

tariff policy is a big blow to them. Although a high per capita income of USD 86601 (IMF,2024), may cushion some of the immediate impact, spectre of high inflation in US cannot be wished away. Many economists are predicting high probability of stagflation (high inflation coupled with low growth) in US. That would be contrary to Trump's election promises. Perhaps the bet he is gambling with is that he will garner ample revenue from the tariff policy, which will enable him to cut down income taxes on individuals as well as corporates. Also, with the increase in energy supplies with his favourite "drill baby drill," he hopes to lower the energy costs to counter the inflationary impact of high tariffs.

In any case, our interest in this policy brief is to analyse the likely implications of the USA's additional reciprocal tariffs on India's trade, especially for our major exports to US. We are also very keen to see the likely implications for agriculture, which is a very critical sector for India that engages more than 46 percent of its workforce. In the following section-2, we carry out comparative analysis of India's top 20 export commodities (2-digit HSN level) to US in relation to our major competitors. In section 3, an in-depth assessment of India's major agricultural exports at the 6-digit HSN level, compared to US import demand and competing countries' tariff rates, helps identify agricultural commodities where India can still expand its presence despite these new tariffs. The policy brief also provides what could be the best course of action for Indian policy makers as India proceeds to sector-wise bilateral discussions with US.

2. Likely implications of reciprocal tariffs for India's major exporting sectors

US is India's largest trading partner. Roughly 20 percent of India's total exports to the world goes to US (UN Comtrade, 2023). India and the United States share a robust and expanding trade relation, with bilateral trade reaching USD 194.58 billion in 2023 (US BEA, 2024). India enjoys a consistent trade surplus over the years with a value of USD 45.7 billion in total commodities exports (US BEA, 2024) and USD 3.46 billion in agri-products for 2023-24 (DGFT, 2024).

Annex Table 1 presents the top 20 commodities exported by India to the United States, classified by HSN codes. The top five major exports from India to US are pharmaceuticals (HSN 30; USD 12.7 billion), electrical machinery (HSN 85; USD 12.6 billion), precious stones and jewellery (HSN 71; USD 11.9 billion), Textiles and apparel (HSN 57, 61, 62 and 63; USD 9.5 billion) and nuclear reactors, Boilers, machinery, and mechanical appliances; parts (HSN 84; USD 7.1 billion). Mineral fuels (HSN 27; USD 4.5 billion), iron and steel articles (HSN 73; USD 3 billion), vehicles (HSN 87, USD 2.7 billion), organic chemicals (HSN 29), are few other export items of relevance to India's export to US. From a market access perspective, India stands to gain in products where its competitors face higher tariff barriers in the US market.

HSN-wise prospective areas for India's trade with US

In this section, we analyse India's Top 5 export items (which constitute >50 percent of our total exports to US) and their prospects vis a vis the additional reciprocal tariffs imposed on our major competitors.

From India's context, one of the major winners in Trump's reciprocal tariff gamble is **Textiles and apparel (T&A)** segment of India. India's major competitors in textile, China, Vietnam and Bangladesh, are all facing reciprocal tariff to the range of 54 percent, 46 percent, and 37 percent respectively. This will create space for India which these textile giants vacate from the US due to higher tariffs. Especially in case of garments and apparel (HSN 61 and 62), as per UN Comtrade, the US is the biggest market valued at USD 81.59 billion imports (2023). US could be a huge opportunity to achieve India's T&A export target of USD 100 billion by 2030. T&A should be on highest priority in India's bilateral talks with the US starting next week. However, if there is a slowdown in textile consumption due to higher prices, the sector size may shrink.

To capitalize on this moment, India must urgently address structural inefficiencies in its textile value chain. First, India needs to reposition its garment sector from cost-based to design- and fashion-led competitiveness. This requires a shift toward MMF based apparel, which dominates global demand. However, raw material costs for MMFs (polyester and viscose) face non-tariff barriers like Quality Control Orders (QCOs) and removing these restrictions is urgent. Second, the PM MITRA scheme must be accelerated to create integrated textile parks that offer economies of scale, reduce turnaround time, and build modern export capacity. Finally, cotton is one of the major export items of the US, and India is soon to be a net importer of cotton, which opens up a strategic trade opportunity.

In **Electrical machinery, smartphones, telecom, and networking equipment etc. (HS 85),** India has great scope to enter the market share vacated by China (26 percent share), Vietnam (8.8 percent) who are at a cost disadvantage due to higher tariffs of 54 percent and 46 percent respectively. The electrical machinery market in the US is a whopping USD 489.5 billion as of 2024 (UN Comtrade). India's investments in electronics manufacturing through PLI scheme is in the right direction and it is India's opportune time to attract global giants to invest in India, as global supply chains look for new homes for their manufacturing space from the high tariff nations. India should gear up and strengthen its PLI schemes in light of growing global trade competitiveness.

Similarly, areas like **toys, games, and sports requisites** (HSN 95, USD 47.6 billion imports by US) will be opportune to India given the reciprocal tariff is higher for China which leads the sector. India needs to scale up the domestic production in this sector to cater to the US market.

Pharmaceuticals, India's top most export to US (valued at USD 12.7 billion) are at the moment exempt from reciprocal tariffs, which is a big relief for India. But how long this situation of zero

tariff going to last, one is not sure as Trump administration is already hinting that even pharma will be brought under enhanced tariff schedule.

In case of **Natural/Precious Stones (HS 71),** India's 26 percent tariff is lower than South Africa (30 percent) and Switzerland (31 percent) who are our major competitor in the sector, however, in the short run, the exports to US are anticipated to slow down.

Mission 500: A win-win strategy for India and US

Section 4 clause c of the executive order also states that *"(c) Should any trading partner take significant steps to remedy non-reciprocal trade arrangements and align sufficiently with US on economic and national security matters" there is scope to further modify the HTSUS to decrease or limit in scope the duties imposed under the order.* This particular clause has implications that if India addresses the US concerns via bilateral talks, the reciprocal tariff would be considerably reduced. In line with this, in the next section, we discuss the possibility of a win-win strategy for India-US bilateral relation through Mission 500.

Trump-Modi meeting resulted in envisioning Mission 500, i.e, targeting to increase bilateral trade to USD 500 billion by 2030, up from about a little less than USD 200 billion in 2023 (US BEA, 2023). India and the US are engaging in discussions to redefine their economic partnership through Mission 500 and achieving this requires a balanced approach, opening trade flows in both directions.

Energy and defence are the two big ticket items to accommodate US interests. In FY23-24, India imported crude petroleum oil worth USD 139.2 billion (Department of Commerce, GoI) with share of Russia (34.6 percent), Iraq (20.7 percent), Saudi Arabia (16.8 percent), USA (4 percent). India can easily increase its energy purchases from US to reduce the trade surplus with US. Additionally, some high-tech defence purchases like F-35 fighter jets can balance US's trade deficit with India. From India's perspective, the ongoing US-China trade war (as discussed in the previous section) will create new opportunities for India, especially in labour intensive products ranging from toys, textiles, and leather products, etc.

While this policy brief analysis highlights 2-digit level HSN sectors with strategic prospects, India must urgently conduct a 6-digit deep dive to identify high-potential products and niche segments where competitor tariffs have created space. This approach is critical for shaping a win-win negotiation strategy in upcoming bilateral trade talks.

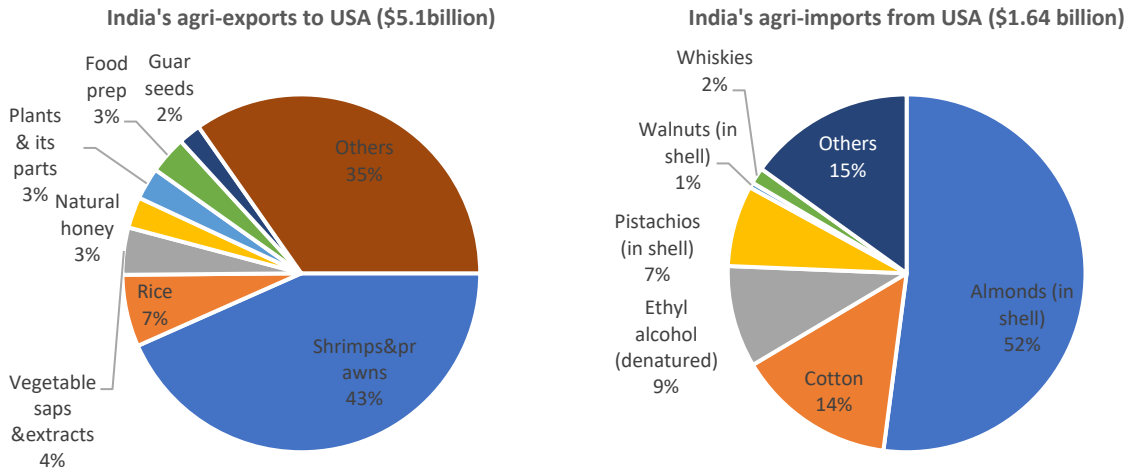
In light of the recent developments, India should sensibly diversify its export destinations to reduce overreliance on the US market. EU, for example is a prospective market (28.42 percent of global imports as per UN Comtrade, 2023). Fast tracking FTAs with EU is need of the hour to maintain global competitiveness amid rising trade frictions. Expanding the robust trade relation India shares with Gulf Cooperation Council (GCC), through tailored export promotion and market access support will help cushion the immediate short-term impact of the

reciprocal tariffs by the US. It should be kept in mind whether we negotiate with EU or UK or GCC, in all cases, India's own tariff levels will have to be reduced quite sharply. India is an outlier in tariffs, and no wonder, President Trump does not lose an opportunity to say that India is a "tariff king."

3. Likely implications of additional reciprocal tariffs on agriculture sector

Agriculture is a sensitive subject as it ensures food security of the nation. The sector has major implications as it employs 46.1 percent of the workforce. Even though we import 55 to 60 percent of our edible oil consumption, it is a great feat that India is a net exporter after feeding 1.4 billion people. In FY23-24, India exported agriproducts worth USD 48.15 billion. India exports **(Figure 2)** agri-products of USD 5.1 billion to US and imports USD 1.64 billion worth agri-products from US with a trade surplus of USD 3.46 billion in agriculture in 2023 (DGFT, 2024). 10 percent of India's agri-exports to the world goes to US. India's key agricultural exports to the US include frozen shrimp and prawns, basmati and non-basmati rice, vegetable saps and extracts, natural honey, and processed food products. In this section, we look into the implications of additional reciprocal tariffs specific to agricultural sector.

Figure 2: India's agricultural trade with the US (2023)



Source: ITC Trademap

Annex Table 2 shows the Top 20 major agri-exports from India to US for 2023 alongside the existing tariffs, additional reciprocal tariffs for India and its competitors. These top 20 items account for 75.8 percent of India's total agri-exports to the US but represent only 13.2 percent of the US's total agri-imports, implying considerable untapped potential in agri-exports.

- **Shrimps & prawns**

India's largest agricultural export to the US is shrimp and prawn products, both in frozen (HSN 030617) and prepared/preserved (HSN 160521) forms, amounting to over USD 2.3 billion.

With a current 0-5 percent tariff, Indian shrimp accounts for over 40 percent market share in frozen and 27 percent in prepared segments. However, under a reciprocal tariff regime, India's exports will attract 26 percent duties, making them significantly costlier. In contrast, Ecuador, and Argentina benefit from 10 percent tariffs, while Indonesia (32 percent), Vietnam (46 percent), and Thailand (36 percent) face higher tariffs. While we do have cost competitiveness, the cost burden of tariffs gradually reduces our share especially in value-added segments. India may lose its market share to Ecuador and Argentina.

- **Rice**

India's rice (HSN 100630) exports to the US reached USD 408.6 million, with 27 percent market share. The existing US MFN tariff on rice is already high at 11.2 percent, and the proposed reciprocal 26 percent tariff would further constrain India's competitiveness. Thailand, the largest supplier to the US, faces a higher 36 percent tariff is advantageous to India, although Thailand's Jasmine rice carries a special preference for many. India needs to improve on branding and quality differentiation of Indian basmati and other rice varieties like Sona Masuri, to capture some share of Thai rice.

- **Botanical and extract-based products**

In case of vegetable saps and extracts (HSN 130219) and plant-based products used in perfumery and pharmacy (HSN 121190), India currently has 30 percent market share with existing zero tariffs. However, post the 26 percent additional reciprocal tariff, Indian products would become more expensive than competitors Mexico, France, and Spain, many of whom benefit from lower duties or FTA-based preferential access.

- **Guar gum, castor oil, and natural honey**

In guar gum derivatives (HSN 130232) and castor oil (HSN 151530), India has a 65.5 percent and 96.6 percent share respectively in US imports. Though India currently faces zero tariffs, the proposed 26 percent reciprocal tariff could make its products less attractive compared to those from Germany, Brazil, and Canada, who face 10-20 percent or zero tariffs.

Similarly, in **natural honey (HSN 040900)**, India holds a 23.3 percent share, but faces strong competition from Argentina and Brazil, both of whom face just 10 percent tariffs. Price sensitive buyers will shift to these alternative sources if the cost of these commodities rises owing to additional reciprocal tariffs.

- **Food preparations**

India's market share in products such as bread, pastries, sweet biscuits, and food preparations (HSN 190531, 210690) remains relatively low at 2–2.5 percent, despite growing demand. These products currently face 0–6.4 percent MFN tariffs. Competitors like Canada, Mexico,

and Singapore enjoy 0–10 percent duties under FTAs and trade partnerships. India, with a proposed 26 percent reciprocal tariff, would further lose its share.

India's growing exports of products such as capsicum (HSN 090422), prepared fish (HSN 160420), cucumbers and gherkins (HSN 200110), and sesame seeds (HSN 120740) will be affected as tariff increases would disproportionately benefit competitors from Mexico, Peru, and Guatemala, who enjoy preferential access. Imposing a 26 percent tariff across Indian agri-exports could price Indian products out of the market, especially where competitors enjoy preferential access. Overall, it seems that for agriculture, the likely implications are going to be a mixed bag. In some commodities we can gain share, while in others we may lose to our competitors. It is therefore important for India to actively pursue a bilateral trade agreement with the United States. Such an agreement would enable tariff free or preferential access to the US market and help India may remain competitive against many Latin American exporters who already benefit from such arrangements.

India prepares for sectoral level bilateral talks with US

India's agricultural tariffs (39 percent), on average, are 7.8 times the agri-tariffs that US imposes (5 percent) (WTO tariff profiles, 2024). As India proceeds for sector wise bilateral talks, it is pertinent to open trade flow both ways.

Major agricultural exports of US to the world include soybean (USD 27.9 billion), maize (USD 13.3 billion), and cotton (USD 6 billion), and associated tariffs by India are 45 percent, 50 percent, and 5 percent, respectively. Another major export item of the US 'Food preparations (USD 5.7 billion) is levied 150 percent tariff by India. SMP is levied an import duty of 60 percent. India imposes restrictions on import of soybean and corn on the pretext of GM crops. However, India's own domestic cotton is GM to the tune of almost 95 percent, and its seed, oil is sold in the domestic market. Imported GM corn can be used for ethanol blending or as poultry feed. Gradual reduction in duty from existing 50 percent to 15-20 percent can be carried out. Similarly, tariff on soybean and its oil is 45 percent and 20-27 percent respectively. Given that China (biggest market for US soybean) has retaliated with 34 percent tariff on US (New York Times, 2025) US will look for alternative markets to export. India may accommodate some of it.

For sensitive commodities like wheat and dairy (specially SMP), India can opt for tariff rate quota. For other non-sensitive goods, especially where India does not have a strong domestic production base, for instance tariffs on walnuts (100 percent), berries such as cranberry, strawberry, blueberry etc. (30 percent), breakfast cereals (30 percent) can be brought down. **Annex Table 3** depicts commodities with >50 percent import tariff levied by India on the US.

In reverse, India can negotiate for market access for high value F&V especially pomegranate, mango, grapes etc. The high value F&V segment is competitive in US markets provided we establish the sea protocol (APEDA in collaboration with ICAR-CISH) and streamline our export

supply chain, taking care of the SPS standards of the US. Tariff lines alongside regulatory procedures for food safety are to negotiated on a fast-track mode.

4. Summary and policy implications

Trump's executive order on the reciprocal tariff announced on April 2, 2025, is a 'once in a century' decisive policy move. It is his boldest gamble. Of course, the announcement has led to a crash in stock markets, with heightened uncertainty. However, in our opinion, this is a reaction to the short-term turbulence, not a structural shift. It will take time to settle the dust, and most of the countries are likely to be negotiating with US. It will take at least 3 to 6 months to get a clearer picture. Main point that we want to emphasise here is that India should not see the 26 percent tariff in isolation, it must be assessed in relation to how India's competitors are affected. While India was levied an average additional tariff of 26 percent, China was imposed a massive 54 percent. This presents India with a strategic opportunity to occupy the space that China will likely vacate in key labour-intensive and other export sectors. For instance, in textiles (HSN 57, 61, 62 and 63), where India's exports to the US stood at USD 9.5 billion (2023), there is now a potential upside over the next few years if India can plug the gap left by China (54 percent), Bangladesh (37 percent) and Vietnam (46 percent). Similarly, India enjoys a relatively better tariff position in sectors like machinery, smartphone, telecom, and networking; toys and games, leather, and footwear sector.

As India prepares for the sector-wise bilateral talks with US starting next week, India must be constructive and not combative. Realising Mission 500, announced with the goal of raising bilateral trade to USD 500 billion by 2030 will require reciprocal tariff rationalization, improved market access, and addressing the USD 45.7 billion trade surplus that India enjoys over the US. A good starting point could be to look beyond agriculture. India already imports over USD 139.2 billion (FY 23-24) worth of crude oil and can divert some of these purchases toward US. And if need be, top it up with some high-tech defence purchases.

In agriculture, India needs to rationalise outlier tariffs (>50 percent) and move commodity-by-commodity. For sensitive commodities like wheat and dairy, tariff quotas (TRQ) can be employed. India must simultaneously push for preferential market access on high-value Indian agri-exports such as mangoes, grapes, pomegranates, bananas which have long faced regulatory hurdles in the US, while streamlining our export supply chain. With the right mix of diplomacy and economic strategy, India can strengthen its position in US markets, even as the global trade order begins to shift. Parallelly, in light of the recent developments, India must also diversify its export destinations. The EU, with 28.42 percent of global imports, is a viable alternative. Fast tracking FTAs with the EU and even UK is key to staying competitive amid rising trade tensions.

Annexures

Annex Table 1: India's Top 20 exports to the US (2024) vis a vis competitor (in USD billion)

HSN	Commodity	USA Imports from India	USA Imports from the world	Competitors and their proposed reciprocal tariffs
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	12.6	485.9	China (S: 26.1%, T: 54%), Mexico(S: 18%, T: 0%), Vietnam (S: 8.8%, T: 46%), Taipei (S: 6.7%, T: 54%), Malaysia (S: 5.9%, T: 24%), India(S:2.6%,T: 26%)
71	Natural or cultured pearls, precious or semiprecious stones, pre. Metals, clad with pre. Metal and articles thereof; imit. Jewlry; coin.	11.9	89.7	Switzerland (S: 16.7%, T: 31%), India (S: 13.3%, T: 26%), Canada (S: 11.2%, T: 0%), South Africa (S: 9.6%, T: 30%), Mexico (S: 6.5%, T: 0%)
30	Pharmaceutical products	12.7	212.7	Ireland (S: 23.7%, T: 20%), Switzerland (S: 9%, T:31%), Germany (S: 8.1%, T:20%), Singapore (S: 7.2%, T: 10%), India (S: 6%, T: 26%)
84	Nuclear reactors, boilers, machinery, and mechanical appliances; parts thereof.	7.1	531.2	Mexico (S: 20%, T:0%), China (S: 16%, T: 54%), Taipei (S: 11%, T: 54%), Japan (S: 6.8%, T: 24%), Germany (S: 6.5%, T: 20%), India (S: 1.3%, T: 26%)
27	Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral waxes.	4.5	251.1	Canada (S: 52.2%, T: 0%), Mexico (S: 6.7%, T: 0%), Saudi Arabia (S: 4.3%, T: 10%), Brazil (S: 3.5%, T: 10%), Colombia (S: 3.1%, T: 10%), India (S: 1.8%, T: 26%)
73	Articles of iron or steel	3.0	52.7	China (S: 25%, T: 54%), Mexico (S: 14%, T: 0%), Canada (S: 10.3%,T: 0%), Taipei (S: 6.7%, T: 54%), Korea (S: 6.5%, T: 25%), India (S: 5.7%, T: 26%)
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	3.1	18.1	China (S:51.8%, T: 54%), India (S: 17.1%, T: 26%), Pakistan (S: 8.7%, T: 29%), Mexico (S: 7.3%, T: 0%), Vietnam (S: 7.3%, T: 46%)
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof.	2.7	391.5	Mexico (S: 35.1%, T: 0%), Japan (S: 13.1%, T: 24%), Canada (S: 13%, T: 0%), Korea (S: 11.6%, T:25%),

				Germany (S: 9%, T: 20%), India (S: 0.7%, T: 26%)
62	Articles of apparel and clothing accessories, not knitted or crocheted.	2.6	36.3	China (S: 21.4%, T: 54%), Vietnam (S: 18.7%, T: 46%), Bangladesh (S: 13.2%, T: 37%), India (S: 7%, T: 26%), Indonesia (S: 6%, T: 32%)
29	Organic chemicals	3.6	71.1	Ireland (S: 36.1%, T: 20%), China (S: 12.6%, T: 54%), Switzerland (S: 6.5%, T: 31%), Singapore (S: 6.1%, T: 10%), India (S: 5.1%, T:26%)
61	Articles of apparel and clothing accessories, knitted or crocheted.	2.6	47.4	China (S: 22.4%, T: 54%), Vietnam (S: 18%, T: 46%), Cambodia (S: 6%, T: 10%), Bangladesh (S: 5.5%, T: 37%), India (S: 5.1%, T: 26%)
3	Fish and crustaceans, molluscs, and other aquatic invertebrates.	2.0	21.0	Canada (S: 16.2%, T: 0%), Chile (S: 15%, T: 10%), India (S: 9.5%, T: 26%), Ecuador (S: 6.7%, T: 10%), Norway (S: 6.6%, T: 15%)
39	Plastic and articles thereof.	1.6	78.2	China (S: 27.5%, T: 54%), Canada (S: 18.1%, T: 0%), Mexico (S: 10.5%, T: 0%), Korea (S: 5.8%, T:25%), Germany (S: 5%, T: 20%), India (S: 2%, T: 26%)
38	Miscellaneous chemical products.	1.2	24.2	Germany (S: 13.5%, T: 20%), Japan (S: 13.5%, T: 24%), Canada (S: 12.3%, T: 0%), Korea (S: 9.3%, T: 25%), China (S: 7.3%, T: 54%), India (S:5%, T: 26%)
57	Carpets and other textile floor coverings.	1.2	3.6	India (S: 35.8%, T: 26%), Turkey (S: 24.4%, T: 10%), China (S: 13%, T: 54%), Vietnam (S: 5%, T: 46%), Egypt (S: 4%, T: 10%)
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishing; lamps and lighting fittings not elsewhere specified or inc	1.4	72.6	China (S: 29%, T: 54%), Vietnam (S: 20.7%, T: 46%), Mexico (S: 17.7%, T: 0%), Canada (7.6%, T: 0%), Italy (S: 3%, T: 20%), India (S: 2%, T: 26%)
68	Articles of stone, plaster, cement, asbestos, mica, or similar materials.	1.0	10.4	Canada (S: 12%, T: 0%), Mexico (S: 11.2%, T: 0%), India (S: 10%, T: 26%), China (S: 9.8%, T: 54%), Brazil (S: 8.2%, T: 10%)
40	Rubber and articles thereof.	1.1	36.3	Thailand (S: 15.2%, T: 36%),

				Mexico (S: 13%, T: 0%), Canada (S: 8.7%, T: 0%), China (S: 7.7%, T: 54%), Japan (S: 6.9%, T: 24%), India (S: 3%, T: 26%)
90	Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. And apparatus parts and accessories thereof;	0.9	124.8	Mexico (S: 18.4%, T: 0%), Germany (S: 11%, T: 0%), China (S: 10%, T: 54%), Ireland (S: 7.2%, T: 20%), Japan (S: 5.7%, T: 24%), India (S: 0.7%, T: 26%)
76	Aluminium and articles thereof.	0.9	28.3	Canada (S: 40.6%, T: 0%), China (S: 11%, T: 54%), Mexico (S: 6.5%, T: 0%), UAE (S: 4.5%, T:10%), Korea (S: 3.5%, T: 25%), India (S: 3.2%, T: 26%)
	Share of 20 commodities in total exports/imports	84.9%	77.0%	
	Total (USD billion)	91.2	3359.3	

Values are in USD billion, S: Share in exports, T: Proposed tariff

Source: UN Comtrade

Annex Table 2: India's Top 20 agri-exports to the US (2024) vis-à-vis competitors (in USD million)

HSN	Commodity	USA's imports from India	USA Imports from the world	India's existing MFN tariffs	Competitors and their proposed reciprocal tariffs
'030617	Frozen shrimps and prawns	1889.5	4648.9	0%	India (S: 40.6%, T: 26%), Ecuador (S: 27%, T: 10%), Indonesia (S: 14.3%, T: 32%), Vietnam (S: 6.5%, T: 46%), Argentina (S: 4.1%, T: 10%)
'160521	Shrimps and prawns, prepared or preserved	419.9	1532.3	2.50%	India (S: 27.4%, T:26%), Vietnam (S: 26.8%, T: 46%), Indonesia (S: 26.5%, T: 32%), Thailand (S:10.9%, T: 36%), Ecuador (S: 4.7%, T: 10%)
'100630	Semi-milled or wholly milled rice	408.6	1514.8	11.20%	Thailand (S: 55.7%, T: 36%), India (S: 27%, T: 26%), China (S: 3.7%, T: 54%), Pakistan (S: 2.8%, T:29%), Vietnam (S: 1.7%, T: 46%)
'130219	Vegetable saps and extracts	372.2	1144.1	0%	India (S: 32.5%, T: 26%), China (S: 28.6%, T: 54%), France (S: 8.7%, T: 20%), Spain (S: 7.2%, T:20%),

					Italy (S: 6.5%, T: 20%)
'121190	Plants, parts of plants, incl. seeds and fruits, used primarily in perfumery, in pharmacy	172.2	533.2	0%	India (S: 32.3%, T: 26%), Mexico (S: 11%, T: 0%), China (5.6%, T: 54%), Germany (S: 5.5%, T:20%), Colombia (S: 4.6%, T: 10%)
'190590	Bread, pastry, cakes, biscuits and other	162.9	7829.8	0%	Canada (S: 53.3%, T:0%), Mexico (S: 17.4%, T:0%), Italy (S: 4%, T:20%), France (S: 3.1%, T:20%), India (S: 2.1%, T: 26%)
'040900	Natural honey	151.2	650.2	0%	India (S: 23.3%, T: 26%), Argentina (S: 21.2%, T: 10%), Brazil (S: 12.9%, T:10%), New Zealand (S: 9%, T: 10%), Vietnam (S: 6.6%, T: 46%)
'210690	Food preparations, n.e.s.	144.4	6939.9	6.40%	Singapore (S: 39%, T: 10%), Canada (S: 15.4%, T:0%), China (S: 8.2%, T: 54%), Mexico (S: 3.7%, T: 0%), Germany (S: 2.9%, T:20%), India (S: 2.1%, T: 26%)
'130232	Mucilages and thickeners, derived from locust beans, locust bean seeds or guar seeds	123.6	188.7	0%	India (S: 65.5%, T: 26%), Italy (S: 8.6%, T:20%), Spain (S: 7.5%, T: 20%), Pakistan (S: 3.8%, T:29%), France (S: 3.1%, T:20%)
'151530	Castor oil	118.5	122.6	0%	India (S: 96.6%, T: 26%), Canada (S: 2%, T: 0%), Germany (S: 0.5%, T:20%), Brazil (S: 0.1%, T:10%)
'090422	Capsicum	99.1	340.7	0%	India (S: 29.1%, T: 26%), Spain (S: 27%, T: 20%), China (S: 16.6%, T: 54%), Mexico (S: 13.5%, T: 0%), Peru (S: 4%, T:10%)
'180400	Cocoa butter, fat, and oil	89.7	1089.2	0%	Indonesia (S: 28.6%, T: 32%), Malaysia (S: 25.6%, T: 24%), Peru (S: 12.9%, T: 10%), India (S: 8.2%, T: 26%), Brazil (S: 5.7%, T: 10%)
'160420	Prepared or preserved fish (excl. whole or in pieces)	66.8	273.2	0%	India (S:24.4%, T: 26%), Thailand (S: 20.5%, T: 36%), Japan (S: 11.4%, T: 24%), China (S: 7.8%, T:54%), Korea (S: 7.2%, T:25%)
'200110	Cucumbers and gherkins	59.4	107.4	9.60%	India (S: 55.3% , T: 26%), Canada (S: 9.4%, T: 0%), Mexico (S: 7.6%, T:0%), Germany (S: 4.6%, T: 20%),

					Vietnam (S: 4.3%, T: 46%)
'200599	Vegetables and mixtures of vegetables	54.4	753.0	11.20%	China (S: 25.7%, T : 54%), Peru (S: 20.1%, T:10%), Mexico (S: 10.4%, T: 0%), India (S: 7.2%, T: 26%), Spain (S: 4.6%, T:20%)
'210111	Extracts, essences, and concentrates, of coffee	54.2	969.4	0%	Mexico (S: 41.2%, T:0%), Brazil (S: 18.1%, T: 10%), Colombia (S: 12.3%, T: 10%), Netherlands (S: 6.3%, T: 20%) India (S: 5.6%, T:26%)
'160510	Crab, prepared or preserved	52.9	765.6	0%	Indonesia (S: 46.8%, T: 32%), Philippines (S: 9.7%, T: 17%), Vietnam (S: 9.6%, T: 46%), Venezuela (S: 8%, T: 15%), India (S: 7%, T: 26%)
'120740	Sesamum seeds	48.5	89.1	0%	India (S: 54.4%, T: 26%), Guatemala (S: 13.4%, T:10%), Pakistan (S: 8%, T: 29%), Turkey (S: 7.2%, T:10%), Nigeria (S: 6.6%, T: 14%)
'240399	Chewing tobacco, snuff, and other manufactured tobacco	47.2	92.4	0%	India (S: 51.1%, T: 26%), Sweden (S: 31.5%, T:20%), UAE (S: 7.5%, T: 10%), Dom. Rep (S: 4%, T: 10%), China (S: 2.5%, T: 54%)
'190531	Sweet biscuits	44.9	2404.9	0%	Mexico (S: 49.7%, T: 0%), Canada (S: 22.6%, T: 0%), Italy (S: 3.8%, T:20%), UK (S: 2.7%, T:10%), Denmark (S: 2.7%, T: 20%), India (S: 2%, T:26%)
	Share of 20 commodities in total exports/imports	75.8%	13.2%		
	Total Agri commodities exported/imported (HSN 1-24)	6,040.9	241712.5		

Values are in USD billion, S: Share in exports, T: Proposed tariff

Source: UN Comtrade

Annex Table 3: Identified Commodities with >50 percent Tariff by India

Product Name	Applied Harmonized System of Tariffs
220820 Spirits obtained by distilling grape	150
220860 (1996) Vodka	150
220410 Sparkling wines	150
220421 Wine of fresh grapes	150
220600 Cider, perry, mead and other fermented beverages	150
220710 Undenatured ethyl alcohol of an alcohol	150
220840 Rum and other spirits obtained by distilling	150
220890 Ethyl Alcohol of strength <80%	150
210690 Food Prep. N.e.s	150
220422 (2017) wine of fresh grapes, incl. fortified wines	150
220429 Other wine of fresh grapes	150
220850 Gin and Geneva	150
220830 Whiskies	150
220870 (1996) Liqueurs and cordials	150
870310 Vehicles specially designed for travelling <10 persons on snow	125
870324 Motor cars and other motor vehicles	125
870380 (2017) Other vehicles of motor cars and vehicles	125
870323 Motor cars and other vehicles exceeding cylinders capacity> 1.50 cu.cm	125
870321 Motor cars and other vehicles exceeding cylinders > 1.00 cubic cm	125
870390 Other motor cars and vehicles	125
870322 Motor cars cylinders between 1 cubic cm to 1.5 cubic cm	125
870333 Motor cars or vehicles of cylinder capacity > 2.5 cubic cm	125
080231 Fresh or dried walnuts, in shell	120
151529 Maize oil of fractions whether or not refined	100
151620 Vegetable fats and oils and their fractions	100
170191 refined cane or beet sugar Containing added flavouring or colour	100
330210 mixtures of odoriferous substances of a kind used in the food or drink	100
871120 Motorcycles, mopeds	100
151519 Linseed oil and fractions	100
151550 Sesame oil and its fractions	100
170112 Beet sugar	100
871110 Motorcycles, including mopeds with cylinder capacity <= 50 cubic cm	100
090190 Coffee husks and skins	100
151530 Castor oil and its fractions	100
170199 cane or beet sugar and chemically pure sucrose	100
220300 Beer made from malt	100
151219 Sunflower seed or safflower oil and its fractions	100
151790 Edible mixtures or preparations of animal or vegetable fats or oils	100
100199 wheat and meslin	100
151229 Cotton-seed oil and its fractions	100
151521 Crude maize oil	100

151590 Fixed vegetable fats and oils and their fractions	100
170114 (2012) Other cane sugar	100
090220 Other green tea (not fermented)	100
150890 Groundnut oil and fractions	100
151800 Animal or vegetable fats and oils	100
871140 Motorcycles inc. mopeds with cylinder capacity > 500 cubic cm	100
080232 Fresh or dried walnuts, shelled	100
151211 Crude sunflower seed and safflower oil	100
151319 Coconut oil and fractions	100
871150 motorcycles with cylinder capacity >800 cubic cm	100
871160 (2017) motorcycles with electric motor.	100
090121 Roasted Coffee Not decaffeinated	100
100610 Rice in the husk (paddy or rough)	80
151419 low erucic acid rape and colza oil	75
151499 (2002) high erucic acid rape and colza oil	75
090412 pepper of the genus piper, Crushed or ground: peppercorns, chilli powder	70
090411 pepper of the genus piper, neither crushed nor ground: Long	70
950300 (2007) Tricycles, scooters, pedal cars	70
090831 (2012) Cardamoms, neither crushed nor ground	70
100630 Semi-milled or wholly milled rice	70
100510 Maize Seed	70
080132 (1996) fresh or dried cashew nuts, Shelled	70
090422 (2012) Chilli powder	70
060311 (2007) Roses	60
240210 Cigars, cheroots, and cigarillos, cont.	60
040900 Natural honey	60
080810 Apples	50
110812 Maize (corn) starch	50
382370 (1996) Industrial fatty alcohols	50
110814 Manioc (cassava) starch	50
200979 (2002) apples juices, unfermented	50
110819 starches (excl. maize, potato, and manioc)	50
200950 Tomato juice	50
20098 (2012) Cranberry Vaccinium macrocar	50
350510 Dextrin's and other modified starches	50
200990 Mixtures of juices	50
200989 (2012) juices of fruits and vegetables	50

Source: WTO-TAO

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