

## India's Export Outlook in Light of U.S. Tariffs

A [recent statement](#) from U.S. President Donald Trump on Truth Social, a social media platform, announcing a 25% tariff on Indian exports from August 1, 2025, along with additional penalties tied to India's continued defence and energy transactions with the Russian Federation, has introduced considerable uncertainty into the Indo-U.S. economic relationship. President Trump's social media statement was followed up with an [executive order dated July 31, 2025](#) 'further modifying the reciprocal tariff rates', including the [full list](#) of adjusted import duty rates scheduled to take effect from [August 7, 2025](#) for about [70 countries](#).

Such developments will require ongoing scrutiny for the immediate commercial consequences involved, as well as their broader strategic implications. Despite making [progress](#), while prospects of an interim bilateral trade deal between India and the United States had [reduced](#) before the August 1 deadline, including on account of [sensitive sectors](#) such as [agriculture and dairy](#), negotiations are likely to [continue](#) through August. For a broad overview of the implications of the U.S. reciprocal tariff regime for India, including an assessment of the Indian government's response, see our note [here](#).

Importantly, the linking of punitive measures to India's engagement with Russia may indicate a shift in U.S. foreign policy and India-U.S. bilateral relations, respectively, both of which could arguably be interpreted as a strategic recalibration by the U.S. Such tariffs are purportedly aimed to counter what the U.S. administration perceives to be unbalanced trade terms and insufficient alignment with U.S. geopolitical priorities. Nevertheless, the ripple effects on Indian export-heavy sectors could be pronounced if these measures are not short-lived or mitigated through negotiated relief.

India's [exports](#) to the United States span a wide array of industries. However, [several key sectors](#)—particularly those that are highly dependent on U.S. demand—are expected to experience significant pressure. The gems and jewelry sector, for

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instance, accounts for substantial annual revenues from the American market. Items such as polished diamonds and gold ornaments are price-sensitive and already subject to thin margins. A 25% import tariff could render these exports considerably less competitive, especially against producers in regions not subject to similar levies.

Textile and apparel exports may also suffer, although the degree of impact could vary. Historically, India has benefited from relatively moderate tariffs compared to certain other competitors. However, the revised tariff landscape could erode this advantage. Cotton garments, handwoven fabrics, and artisanal carpets, which form a significant portion of India's textile exports to the United States, may see declining orders if retailers and wholesalers re-evaluate sourcing options in light of increased costs.

Another sector facing headwinds is marine products, such as frozen shrimp. India remains one of the world's largest exporters of shrimp, and the United States is one of its most important markets. Competitors such as Ecuador, which currently enjoys lower tariff exposure, could gain market share unless India is able to renegotiate terms or redirect exports to alternative destinations, including countries with which India enters into balanced trade agreements.

The automobile and automotive components sector also requires close attention. Companies which produce specialized equipment for exports to U.S.-based truck and vehicle manufacturers are projected to suffer both from immediate cost burdens as well as potential loss of contracts. The implications for employment within India's manufacturing hubs may be significant, particularly in the states of Gujarat, Maharashtra, and Tamil Nadu.

Meanwhile, the electronics and consumer goods sector—especially mobile devices and solar panels produced under contract for U.S. companies—faces a complex scenario. Although the value of exports from this segment is relatively high, many manufacturers operate with limited flexibility due to pre-agreed pricing structures. Any tariff-induced increase in landed cost may run the risk of prompting major supply chain realignments.

Agricultural products and processed foods could also be adversely affected, especially where consumer preferences in the U.S. are guided by pricing considerations. While some specialty items such as tea and spices may retain niche demand, broader categories like dairy, confectionery, and edible oils may encounter erosion in market share unless Indian producers can offset cost increases or shift towards other geographies and/or markets, especially those with fewer trade barriers.

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Pharmaceutical exports to the United States, a vital component of India's trade portfolio, are currently shielded from the announced tariffs. Given the importance of generics and active pharmaceutical ingredients (APIs) to the U.S. healthcare system, this exemption likely reflects strategic interests (rather than accommodation or leniency). Nevertheless, any deterioration in overall diplomatic relations could place such status under future review, particularly if prominent intellectual property or regulatory disputes arise.

On a broader macroeconomic scale, forecasts suggest a modest but nontrivial drag on India's gross domestic product (GDP) if the tariffs remain in place through the fiscal year. Currency volatility is another likely consequence, with the Indian Rupee (INR) already showing signs of depreciation against the U.S. Dollar (USD) amidst concerns about declining export revenues. For micro, small and medium enterprises (MSMEs), especially those with narrow operating margins, the impact could be especially onerous.

The strategic dimension introduced by the linkage to defence and energy trade with Russia complicates matters further. India's procurement of crude oil from Russia has grown substantially since the start of hostilities in Ukraine and corresponding sanctions. While India's decision is driven by pricing, reliability, and long-term partnerships, it contrasts with the position taken by the United States and several of its allies, particularly in Europe. Similarly, the continued purchase of Russian arms systems—many of which are integral to India's defence strategy—has drawn criticism in Western political circles.

From a legal standpoint, the imposition of tariffs and penalties in response to sovereign procurement decisions may raise questions under the rules of the World Trade Organization (WTO). Although national security exemptions exist within WTO frameworks, their scope and applicability in this context may be subject to challenge. India could potentially seek consultations under the dispute settlement mechanism. However, such proceedings are often protracted and politically sensitive.

The question of reciprocal measures is also relevant. While India could respond with similar tariffs or take action against U.S. imports, such steps may risk escalating tensions at a time when bilateral negotiations over a potential trade agreement remain ongoing. A more prudent approach may involve intensified diplomacy, coupled with targeted support for affected industries within India. This could include export incentives, logistical assistance, and investment in alternative markets, such as the United Kingdom, the United Arab Emirates, and Australia—all of which maintain more favorable trade ties with India as on date.

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In conclusion, the latest development related to U.S. trade restrictions on Indian exports, combined with penalties tied to India's energy and defence engagements with Russia, represents a multifaceted challenge. Indian policymakers are likely to attempt to strike a balance between safeguarding sovereign interests and preserving access to crucial export markets. From a legal perspective, both multilateral and bilateral options exist to contest or mitigate these actions. However, such efforts must be pursued with caution, clarity, and a commitment to India's long-term economic and strategic priorities.

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