



Liberation day: Its implications on India

April 2025

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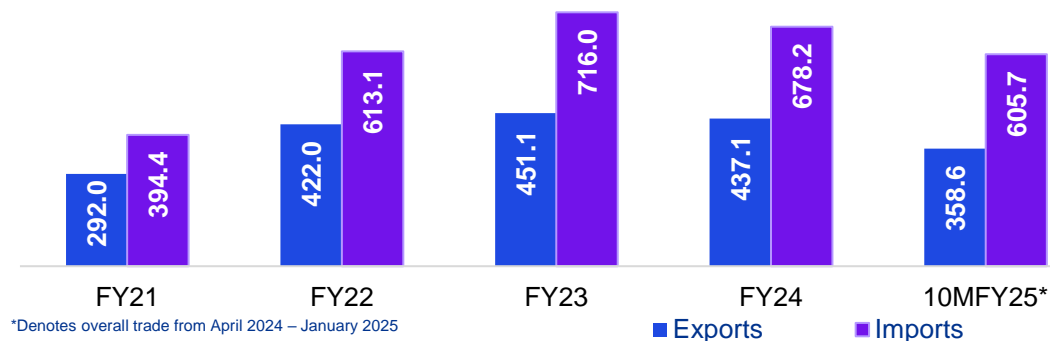
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The information and insights provided in this document regarding reciprocal tariffs is as per the executive order issued by the White House on April 2, 2025, and is subject to change.

India trade snapshot

Overall trade (in USD billion)¹



| Exports - Top 10 commodities (as of 10MFY25*) ¹ | % of total export ¹ | U.S. as export destination (% share in total export) ¹ |
|--|--------------------------------|---|
| Electrical machinery and equipment | 3.1 | 16.1 |
| Gems and jewellery | 2.3 | 12.2 |
| Pharmaceutical products | 2.1 | 10.9 |
| Nuclear reactors and boilers | 1.5 | 8.0 |
| Mineral fuels and mineral oils | 0.9 | 4.9 |
| Articles of iron and steel | 0.7 | 3.7 |
| Made up textile articles | 0.7 | 3.6 |
| Apparel and clothing accessories | 0.6 | 3.2 |
| Vehicles other than railway and tramway | 0.6 | 3.2 |
| Organic chemicals | 0.6 | 3.1 |

Note: *Denotes data from April 2024 – January 2025, Indian fiscal year starts from April, 2-digit HS code have been referred for the above table

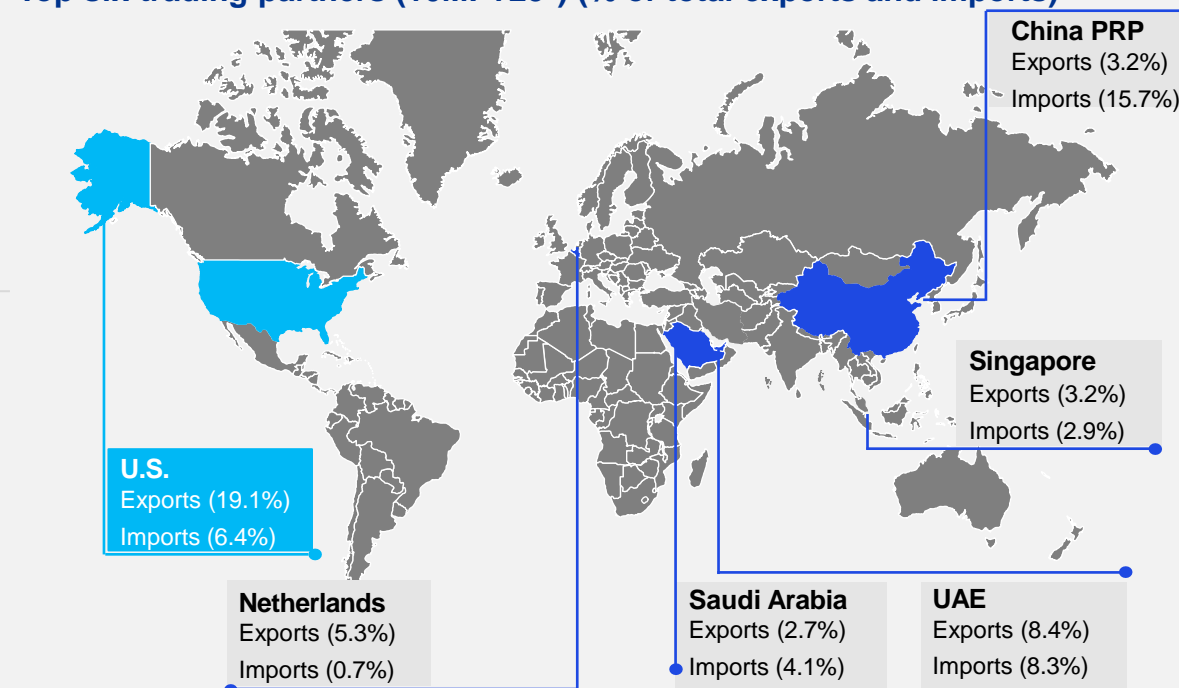
Sources:

¹ Ministry of Commerce and Industry, Government of India, accessed on 9 April 2025



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Top six trading partners (10MFY25*) (% of total exports and imports)¹



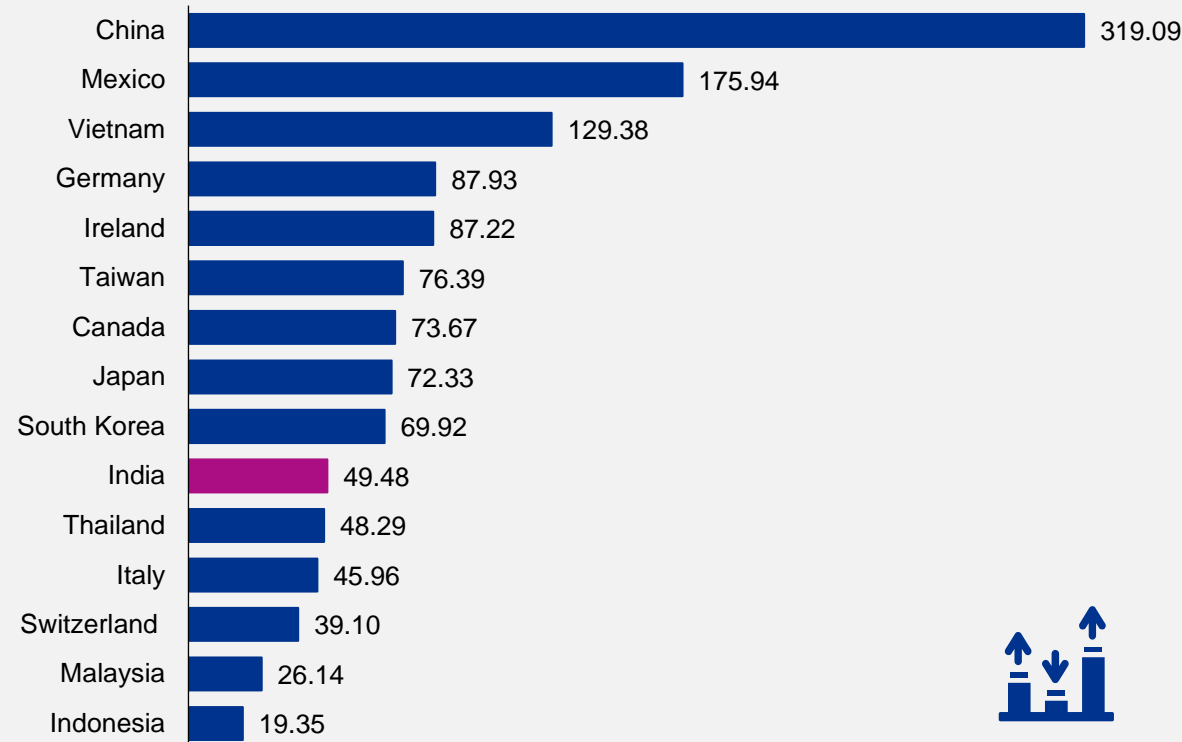
- **India's major exports to the U.S.:** Electrical machinery and equipment, gems and jewellery, pharmaceutical products, nuclear reactors and boilers and mineral fuels and mineral oils
- **India's primary imports from the U.S.:** Mineral fuels and mineral oils, gems and jewellery, nuclear reactors, boilers and machinery and electrical machinery and equipment.



Understanding the U.S. tariff policy and its implications

The recent implementation of the U.S. tariffs disrupted global markets, compelling key trading partners to address new economic challenges

The U.S. trade deficit in 2024 (in USD billion)²



The countries are arranged by trade deficit, from highest to lowest.



The U.S. aims to address high trade deficits through the reciprocal tariff mechanism in a fundamental shift in its trade policy

Sources:

² Impact analysis of US reciprocal tariff on India, Federation of Indian Chambers of Commerce and Industry (FICCI), April 2025

³ News articles published on 10 April 2025



Country-wise reciprocal tariffs²

| Countries and jurisdictions | Reciprocal tariffs* (per cent) |
|-----------------------------|--------------------------------|
| India | 26 |
| Cambodia | 49 |
| Vietnam | 46 |
| Thailand | 36 |
| China** | 34 + 20 (previously levied) |
| Indonesia | 32 |
| Taiwan | 32 |
| Switzerland | 31 |
| South Korea | 25 |
| Japan | 24 |
| Malaysia | 24 |
| Italy | 20 |
| Ireland | 20 |
| Germany | 20 |

Note: 1. The countries (except India) are arranged from highest to lowest tariff imposed. 2. The information provided in the above table is as per the executive order issued by the White House on April 2, 2025, and is subject to change.

^{*}On April 9, 2025, the U.S. declared a 90-day pause on reciprocal tariffs for most countries, simultaneously lowering them to a flat rate of 10 per cent during this period

^{**}This pause does not apply to China whose tariffs have been increased to 145 per cent³.

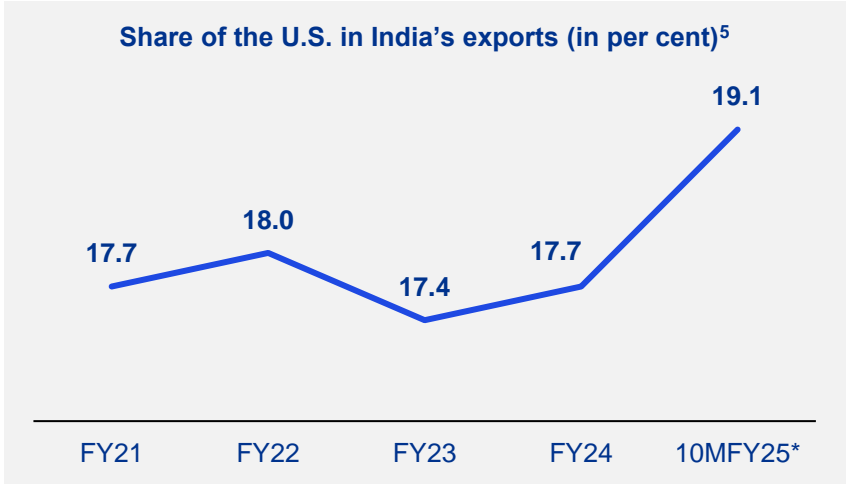


Impact on India

Reciprocal tariff on imports from India⁴

26 per cent

The U.S. accounts for 19.1 per cent of India's exports in 10MFY25*, making it one of the key trading partners for India⁵



*Denotes data from April 2024 – January 2025

Sources:
⁴Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits, The White House, 2 April 2025
⁵Ministry of Commerce and Industry, Government of India, accessed on 9 April 2025
⁶ITC Trade Map, accessed on 10 April 2025

Sector-wise impact on India

| Sector | Export to the U.S.* (%) (10MFY25) ⁵ | Reciprocal tariff on India (%) ⁴ | Reciprocal tariff on competing nations ^{4,6} |
|----------------------|--|---|---|
| Agriculture | 3.5 | 26 | China (54%) and Thailand (36%) |
| Apparel and textiles | 11.8 | 26 | China (54%) and Vietnam (46%) |
| Chemicals | 5.0 | 26 | China (54%) and Ireland (20%) |
| Gems and jewellery | 12.2 | 26 | Switzerland (31%) and South Africa (30%) |
| Smartphones | 10.0 | 26 | China (54%) and Vietnam (46%) |
| Pharmaceutical** | 10.9 | Exempt | Germany (1.27%) and Ireland (1.27%) |

Export opportunities Exempted Negatively impacted

Notes:
^{*}Sector shares are arrived at by combining relevant HS codes
^{**}Pharmaceutical sector is exempted from the U.S. reciprocal tariffs, but there remains a possibility of future sector-specific tariffs. Germany and Ireland are the major pharma exporting nations to the U.S. and are thus considered India's competitors. They face the same tariff rate (1.27 per cent) as India
1. The information and insights provided in the above table is as per the executive order issued by the White House on April 2, 2025, and is subject to change
2. Countries with which the U.S. has free trade agreements were excluded as they have a clear advantage vis-à-vis India
3. The reciprocal tariffs will not apply to sectors already subject to section 232 duties including steel, aluminium, automobiles and auto components.



Assessing opportunities arising out of reciprocal tariffs

Boosting manufacturing competitiveness

- India's relatively lower tariffs, compared to competing economies, can position India as an **alternative hub for manufacturing**
- Improve **local production capabilities** by leveraging Make in India, National Manufacturing Policy and Production Linked Incentive (PLI) schemes

Enhancing trade relations with the world

- Expedite a **mutually beneficial bilateral trade agreement** with the U.S. to deepen supply chain integration and boost trade
- Accelerate **FTA negotiations with other regions** such as the U.K., EU and the Gulf Cooperation Council (GCC) to diversify export markets

Export sophistication and value addition

- Enhance focus on **high-value manufacturing**, advanced technologies and design services
- Incentivise **R&D, intellectual property (IP) creation and branding** for textiles and engineering goods to make Indian exports more competitive globally

Transforming into a prime foreign direct investment (FDI) destination

- International companies affected by higher tariffs imposed on China and Vietnam might **seek a stable and cost-efficient hub**, positioning India as an attractive substitute
- Robust U.S. diplomatic relations along with a **stable, predictable** policy environment make India a reliable partner for long-term FDI investments

Facilitate expansion of global capability centres (GCCs)

- No direct impact on **service-oriented GCCs** but some firms may scale back on expansion plans to save costs
- Mitigate this risk by strengthening India's digital infrastructure to enhance GCC efficiency, **optimising their long-term costs**



Key sector opportunities

Lower tariffs compared to competitors, such as China, Thailand and Vietnam are expected to create opportunities for India's key sectors



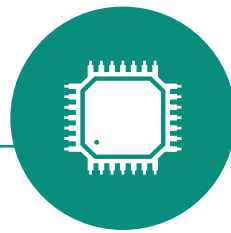
Electronics and smartphones

- Low tariffs compared to other nations, such as China and Vietnam position India as a **competitive low-cost smartphone supplier**
- Strengthens India's position in the **global electronics supply chain**, giving further boost to the Make in India initiative.



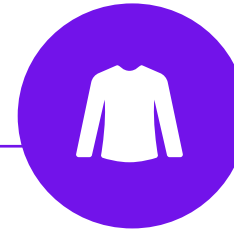
Pharmaceuticals

- Indian firms supply a large share of generic drugs to the U.S., with tariff exemptions **enhancing trade ties and boosting supply chain**
- Government schemes such as PLI are expected to bolster India's domestic manufacturing capabilities and **expand the range of pharmaceutical products.**



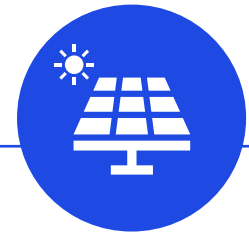
Semiconductor

- Tariff exemptions position India as a **competitive alternative to Taiwan** in semiconductors
- The sector is poised for future investments in **chip assembly and fabrication infrastructure** and the tariff advantage could provide further boost.



Textile and garments

- India's lower tariff rate compared to Bangladesh and Vietnam presents an opportunity to **expand its market share in textiles** exported to the U.S.
- Potential opportunity in **diversification of product range**, focusing on technical textiles and sustainable fabrics.



Solar energy

- Reciprocal tariffs keep **Indian solar modules and cells cost-competitive** as compared to other Southeast Asian countries
- India can simultaneously **explore alternative global markets** and enhance trade relations.

Sources: Impact analysis of US reciprocal tariff on India, Federation of Indian Chambers of Commerce and Industry (FICCI), April 2025



Key considerations

-  **Utilise digital solutions and automation to optimise efficiency, lower costs and boost export competitiveness**
-  **Enhance resilience and reassess supply chains to identify cost-effective sourcing options**
-  **Ensure compliance with the U.S. trade rules to prevent penalties and secure market access**
-  **Foster strategic alliances with industry bodies to engage with policymakers for trade negotiations**
-  **Utilise existing free trade agreements (FTAs) with other countries to address tariff impacts and expand trade opportunities**

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