

USTR report turns up the heat on India

Dubs India's 17% average import levy 'highest of any major world economy', before reciprocal tariff rollout

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New Delhi, 1 April

Ahead of the imposition of reciprocal tariffs on April 2, the United States has raised concerns over India's high import tariffs in key sectors, such as automobiles, agricultural goods, medicines, and alcohol. It also flagged what it described as "sudden" tariff changes and regulatory hurdles that act as non-tariff barriers to American exports.

The National Trade Estimate report on Foreign Trade Barriers, released by the US Trade Representative (USTR), noted that India's average applied tariff rate stood at 17 per cent in 2023 (down from 18.1 per cent in 2022), "the highest of any major world economy". The average import tariff for non-agricultural goods was 13.5 per cent, while agricultural goods faced an average of 39 per cent.

Following Customs Duty cuts in the FY26 Budget, Central Board of Indirect Taxes & Customs (CBIC) Chairman Sanjay Kumar Agarwal had said in an interview with Business Standard that India's average tariff has now dropped to 10.66 per cent from 11.65 per cent, bringing it closer to the Association of Southeast Asian Nations' (Asean's) average.

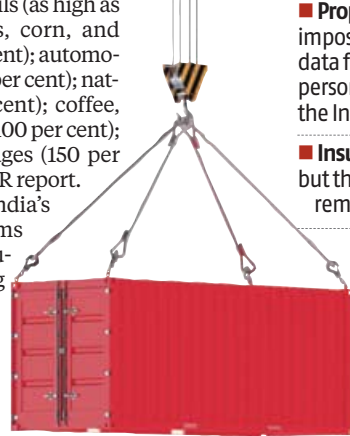
"India maintains high applied tariffs on a wide range of goods,

including vegetable oils (as high as 45 per cent); apples, corn, and motorcycles (50 per cent); automobiles and flowers (60 per cent); natural rubber (70 per cent); coffee, raisins, and walnuts (100 per cent); and alcoholic beverages (150 per cent)," stated the USTR report.

It also underscored India's high basic Customs duties on drug formulations, including life-saving medicines listed on the World Health Organization's essential medicines list.

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WHAT'S NEW IN 2025 REPORT



Key trade and non-tariff barriers flagged by the US regarding India

- **High import duties** on automobiles, agricultural goods, medicines, and alcohol
- **Proposed data privacy rules** may impose burdensome requirements on data fiduciaries, and mandate personal data disclosures to the Indian government
- **Insurance FDI cap raised to 100%**, but there is no clarity over potential removal of certain 'safeguards'
- **Laptop import monitoring system** in focus, and the US is engaging with India on this matter
- **Dairy import restrictions and high tariffs** limit the US' market access for milk, dairy products



“... I HEARD JUST A LITTLE WHILE AGO THAT INDIA IS GOING TO BE DROPPING ITS TARIFFS VERY SUBSTANTIALLY AND I SAID WHY DIDN'T SOMEBODY DO THIS A LONG TIME AGO”

DONALD TRUMP, US president

Banks consider reviewing policies for US study loans

The Trump administration's stricter migration policies and uncertainty over its support to educational institutions has prompted some banks in India to reassess their education loan policies for students heading to the US. While loans for foreign studies are fully backed by collateral, the review will focus on several key aspects, including a more rigorous background check on institutions, visa scrutiny, and a relook at margin money for loans — which is students' financial contribution towards expenses. 20 ▶

Investors jittery ahead of 'Liberation Day'

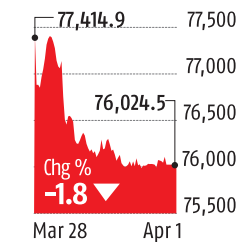
Indian equity benchmarks tumbled on Tuesday, recording their steepest single-day drop in a month amid heavy foreign investor selling ahead of US President Donald Trump's "Liberation Day" reciprocal tariff announcement. The Sensex plunged 1,390 points (1.8 per cent) to 76,025, while the Nifty 50 shed 354 points (1.5 per cent) to close at 23,166 — the sharpest decline for both indices since February 28. FPIs offloaded equities worth ₹5,902 crore, most since February 28. **BS REPORTER**



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ON THE EDGE

SENSEX



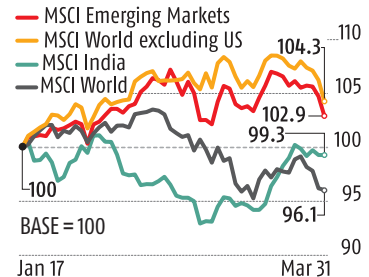
MAJOR INDICES

	Close on April 1	1-day chg (%)
Nifty 50	23,165.7	-1.5
Nifty Midcap 100	51,229.6	-0.9
Nifty Smallcap 100	15,983.0	-0.7
India VIX	13.8	8.4
Mcap* (₹ trn)	409.4	-3.4

*Mcap of all BSE-listed companies
Source: Bloomberg Compiled by BS Research Bureau

INDIA FALLS BEHIND OTHER EMs

Since Trump's presidential inauguration



A first: USTR report flags concerns over draft DPDP rules

It stated that high tariff rates also restrict trade in agricultural goods and processed foods, such as poultry, potatoes, citrus fruits, almonds, pecans, apples, grapes, canned peaches, chocolate, biscuits, frozen French fries, and other prepared foods used in fast-food restaurants. The USTR argued that India's significant gap between its bound and applied tariff rates under the World Trade Organization allows it to change rates for both agricultural and non-agricultural products at any time, creating what it called "tremendous uncertainty" for US workers, farmers, ranchers, and exporters.

On Sunday, US President Donald Trump said the reciprocal tariffs would apply to "all countries" without exception, dashing hopes in India for an exemption amid ongoing negotiations on tariff concessions under the proposed BTA. A day earlier, Trump described India's tariffs as "brutal" but maintained that trade relations between the two nations would "work out very well".

While releasing the report, USTR Jamieson Greer said: "No American President in modern history has recognised the wide-ranging and harmful foreign trade barriers (that) American exporters face more than President Trump. Under his leadership, this administration is working diligently to address these unfair and non-reciprocal practices, helping restore fairness and put hardworking American businesses and workers first in the global market." The annual report, which underscores Trump's "America First Trade Policy", lists nearly 60 countries whose policies and regulations it considers to be trade barriers. Though the broad concerns over India's trade and non-tariff barriers remain similar to those outlined in the 2024 USTR report under Biden administration, the latest assessment aligns more closely with Trump's push for reciprocal trade policies.

On Monday, White House Press Secretary Karoline Leavitt pointed to high tariff rates imposed by the European Union, Japan, India, and Canada, suggesting that these countries would be among the primary targets of the reciprocal tariffs.

For the first time, the USTR report flagged concerns over the draft rules of India's Digital Personal Data Protection Act (DPDPA), warning that they could impose "burdensome requirements" on data fiduciaries and mandate the disclosure of personal data to the Indian government.

The report noted that the draft rules allow the Indian government to restrict cross-border data transfers to specific countries through formal notifications. India's data privacy law may also introduce sector-specific data localisation requirements.

The USTR acknowledged that India had made "progress" by raising the FDI cap on the insurance sector from 74 per cent to 100 per cent. However, it pointed out that India has yet to clarify whether it will remove safeguards that require a majority of board members to be Indian residents. Besides, if an insurer is incorporated or domiciled outside of India, the current safeguards mandate them to maintain a higher solvency requirement for foreign-invested insurers.

Experts argue that while India's tariffs are high, they remain compatible with global trade norms. Ajay Srivastava, a former trade ministry official and founder of the think tank Global Trade Research Initiative, said the US continues to pressure India to alter its trade policies to serve American commercial interests. However, he emphasised that India must assess each demand through the lens of its own national priorities, development goals, and cultural values.