

# Trump's 25% tariff hit triggers layoff warning from exporters

No Russia penalty yet; key meetings between Goyal and exporters today, tomorrow

SHREYA NANDI & SHINE JACOB  
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US President Donald Trump on Friday formally imposed a sweeping 25 per cent import tariff on Indian goods, sparking fears of mass layoffs among exporters, especially in the textiles sector.

Though the anticipated "penalty" tied to India's purchases from Russia was absent, the tariff hike placed Indian exporters at a disadvantage compared with regional peers such as Bangladesh, which secured a lower 20 per cent rate from Washington.

According to a White House executive order, the new tariffs are set to come into effect from August 7 and will be imposed over and above the existing World Trade Organization-compliant tariffs, except for a special concession granted to the European Union. The list excluded China, which will continue to attract a 30 per cent tariff.

The presidential order listed higher import duty rates ranging from 10 per cent to 41 per cent for 69 trading partners, increasing the US' effective tariff rate to about 18 per cent, up from 2.3 per cent last year, according to Capital Economics.

Indian goods shipped before August 7 and arriving in the US by October 5 will pay the baseline 10 per cent tariff on most products, except for sectors such as automobiles, steel and aluminium, where specific sectoral tariffs are already in place. In addition, exemptions remain for categories including pharmaceutical drugs, semiconductors, electronic products such as



THE NEW TARIFFS ANNOUNCED BY US PRESIDENT DONALD TRUMP ARE SET TO COME INTO EFFECT FROM AUGUST 7

## Muted sentiment

Index	1-day chg (%)		Aug -01	1-day chg (%)
KOSPI	-3.9		(8:53 pm IST)	
EURO STOXX 50 (8:53 pm IST)	-2.53		Brent crude (\$/bbl)	71.0 -1.72
Dow Jones (8:53 pm IST)	-2.12		Gold (\$/Oz)	3,350 0.5
Hang Seng	-1.1		Bitcoin (\$)	114,702 -1.54
Nifty 50	-0.8		₹ vs \$ (spot)	87.5 0.1
Sensex	-0.7		Source Bloomberg	
Nikkei 225	-0.7		Compiled by BS Research Bureau	

smartphones, and energy products like crude oil and coal -- for now.

Delhi-based think tank the Global Trade Research Initiative (GTRI) said quick estimates suggest that India's goods exports may fall by 30 per cent, from \$86.5 billion in FY25 to \$60.6 billion in FY26.

Commerce and Industry Min-

ister Piyush Goyal is likely to meet exporters in Mumbai on Saturday and Sunday.

India faces higher tariffs than most nations, as New Delhi and Washington failed to finalise an interim trade agreement before the August 1 deadline. Washington's insistence on greater market access

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### Banks may tighten lending to MSMEs

Banks may adopt a risk-averse approach and slow down fresh lending to export-oriented micro, small, and medium enterprises (MSMEs) to avoid stress in their portfolios after the US imposed a 25 per cent tariff on goods imported from India. Lenders may also ask for more collateral when extending credit to this segment, they added. The asset quality of the MSME sector has remained stable so far. MSME lending outpaced credit growth in the retail and services sectors in FY25.

### Tariffs may lead to logistics rejig for India

With US President scotching hopes of tariff relief for Indian goods by imposing a 25 per cent levy and an additional penalty, logistics players are having to realign their supply chain plans in an increasingly volatile period for the maritime economy. Even though the situation seems tricky for Indian exporters and freight forwarders, it is "manageable," said the president of a freight forwarding association.

for sensitive agriculture and dairy sectors proved to be a deal breaker.

While Trump has partially blamed India's BRICS membership for the 25 per cent tariff, US Secretary of State Marco Rubio said that India's crude oil purchases from Russia remained a "point of irritation" in India-US relations. Turn to Page 4 ▶

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US will modify tariffs downwards, hopes govt

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Mkt access vs mass survival: Unequal

US slaps more nations with tariffs

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Opinion: India should not submit to US bullying, writes Shyam Saran

# US tariff on India triggers layoff warning

The Ministry of External Affairs (MEA) on Friday issued a measured response to the tariff situation. "The US and India partnership has weathered several transitions and challenges. We remain focused on the substantive agenda that our two countries have committed to and are confident that the relationship will continue to move forward," said MEA spokesperson Randhir Jaiswal in New Delhi. He added that the two countries "share a comprehensive global strategic partnership anchored in shared interests, democratic values, and robust people-to-people ties".

## Fear of layoffs

Indian apparel exporters raised the alarm on Friday, warning that the 25 per cent tariff imposed by the United States may result in "mass layoffs" in manufacturing units, and appealed to the government to intervene. "Exporters have their backs against the wall and will have to sell below cost to keep their factories running and avoid mass layoffs," said Sudhir Sekhri, Chairman of the Apparel Export Promotion Council (AEPF).

This is significant, given that the textile and apparel industry is the second-largest employment generator after agriculture, directly employing over 45 million people, including many women and members of the rural population. Nearly 80 per cent of

the sector's capacity is spread across MSME clusters throughout the country.

Another exporter, requesting anonymity, said businesses were bracing for potential layoffs due to the uncertainty. "There should be a mechanism where the higher duty is partly offset by the exporter and the rest borne by the government. That apart, there's also a threat of an additional penalty. The government should roll out the support schemes under the Export Promotion Mission announced in the Budget," he said.

On Friday, the Federation of Indian Export Organisations (FIEO) and other export promotion councils held meetings and are likely to submit their recommendations to the Commerce and Industry Ministry early next week. The Confederation of Indian Textile Industry (CITI) said the latest announcement had worsened an already challenging environment for textile and apparel exporters. CITI expects the government to step in during this difficult period. It said facilitating the availability of raw materials at internationally competitive prices would provide critical support, allowing local industry players to better compete with global peers.

"The latest US tariff announcement, following which the tariff rates have been substantially reduced for many countries, including Bangladesh, with whom we compete for a larger share of the US market, will

compound the difficulties for India's textile and apparel exporters, as we will be handicapped by a severe duty disadvantage," said Rakesh Mehra, chairman of CITI.

The US is India's largest market for textile and apparel exports. Between January and May 2025, US imports of textile and apparel were valued at \$4.59 billion, a rise of more than 13 per cent compared to the same period last year, when the figure stood at \$4.05 billion. Apart from Bangladesh, Indonesia (19 per cent), Cambodia (19 per cent), and Vietnam (20 per cent) currently enjoy a tariff advantage over India. China remains the biggest exporter of textiles and apparel items to the US, followed by Vietnam, India and Bangladesh.

Gems and Jewellery Export Promotion Council Chairman Kirit Bhansali said the tariff would also hit that sector hard. According to Bhansali, 30 per cent of India's gems and jewellery exports, worth \$10 billion, is shipped to the US. "In the case of jewellery, buyers may still be ready to pay more. But it will be much harder to survive in the case of loose diamonds, where the margin is 4-5 per cent," he said.

A government official told *Business Standard* the commerce department is closely assessing the executive order and is engaging with industry and other stakeholders to evaluate its impact.

With inputs from *PTI* and *Reuters*