

Tariff fears back as US opens Sec 301 probe into India, 15 others over distorting 'excess capacities'

Amiti Sen
New Delhi

In an escalation of trade tensions that could raise fresh concerns for Indian exporters, the US has launched investigations into India and 15 other economies over alleged "structural excess capacity" in manufacturing that it says is distorting global markets and threatening American industries.

The move could slow negotiations on the India-US bilateral trade agreement (BTA) by increasing tariff-related uncertainty for New Delhi, sources said. Some experts caution that the probe highlights the risk of fresh tariff actions even if a trade deal is eventually concluded.

The investigation, initiated on Wednesday under Section



The move could further slow the India-US bilateral trade agreement negotiations

301 of the Trade Act of 1974, targets India's textiles, health products, construction goods, automotive goods, solar modules, petrochemicals and steel. Other economies identified by the Office of the US Trade Representative (USTR) include China, the EU, Singapore, Switzerland, Norway, Indonesia, Malaysia, Cambodia, Thailand, South Korea, Vietnam, Taiwan, Bangladesh, Mexico and Ja-

pan. "The US will no longer sacrifice its industrial base to countries exporting their excess capacity and production to us," USTR Jamieson Greer said in a statement.

TRADE SURPLUS

Greer said evidence suggests structural excess capacity in several Indian sectors. It noted that India recorded a \$58-billion bilateral trade surplus with the US in 2025 and that sectors such as textiles, health products, construction goods and automotive goods contributed to India's global goods trade surplus. The notice also flagged excess capacity in solar modules, petrochemicals and steel.

International trade expert Biswajit Dhar said the move demonstrated the futility of a trade deal with the US. "Even if we had done the trade deal

with the US, like Vietnam and Bangladesh, there was no assurance that [US President Donald] Trump would not do what he has done now," he said.

Dhar added the US may fast-track the investigations and impose Section 301 tariffs by July, as the 10 per cent global tariffs under Section 122, introduced after the US Supreme Court struck down country-specific reciprocal tariffs, are to lapse in 90 days.

Indian exporters, who saw relief when tariffs fell to 10 per cent after facing duties of up to 50 per cent since August 2025, are worried about the outcome of the probe.

Public comments open on March 17, submissions are due by April 15, and hearings begin on May 5. Consultations with affected economies have been sought, too.