

India not able to strategise on Trump's reciprocal tariffs due to lack of details

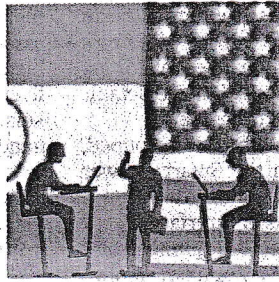
Amiti Sen
New Delhi

India is at a loss to formulate a strategy around the threatened imposition of reciprocal tariffs on imports by the US from April 2 as the Donald Trump regime has not yet clarified whether it is going to be a country specific tariff applicable on all products or the rate of tariffs would differ according to the product category, sources have said.

"If the US is seeking to apply one standard tariff for the country as a whole, one has to see its implication for different products. If different tariffs are to be applied on different products, then the impact would be different. Different products will have varied capacities to withstand specific tariff levels. Without knowing what the US has in mind one can't make that assessment," a source tracking the matter told *businessline*.

TARIFF SCOPE

The White House clarified on Tuesday that the Trump administration still intended to impose reciprocal tariffs on other countries on April 2 following Treasury Secretary Scott Bessent's comments on calculation of tariffs which gave an impression that affected countries could get a breather and negotiate before the levies are imposed. "The intent is to enact tariffs on April 2... Unless the tariff and non-tariff barriers are equalised, or the US has



The White House clarified on Tuesday that the Trump administration still intended to impose reciprocal tariffs on other countries on April 2

higher tariffs, the tariffs will go into effect," a White House official said.

Sectors that could take a relatively bigger hit with US reciprocal tariffs include pharmaceuticals, gems & jewellery, speciality chemicals, auto parts and agriculture. Exports from these sectors to the US are substantial and growing and there is scope for increased tariffs because of the disparity with Washington in applied tariffs.

However, the hit they would take would depend on how US calculates the reciprocal tariffs.

"The sectoral calculations of the expected hit are being done by the commodity divisions and US division based on various tariff scenarios," the source said.

There is also no clarity on whether the US wishes to look at agriculture tariffs and non-agriculture tariffs separately or together while making the reciprocal tariff calculations. Whether the US

would use simple average tariffs or trade-weighted average (tariff weighed by value of imported goods) is also something that is not clear, the source pointed out.

US' simple average tariff on imports is 3.3 per cent while India's is over five times higher at 17 per cent, per WTO figures. US' trade weighted average tariff is 2.2 per cent while India's is 12 per cent.

Average applied tariffs on agricultural goods by India is much higher at 39 per cent while the US duties are at 5 per cent.

New Delhi is hopeful that once it commits to bringing down tariffs on certain products for the US under the bilateral trade agreement (BTA) being negotiated, Trump's angst about the tariff disparity and America's trade deficit with India (at about \$36 billion annually), would be assuaged.

PRODUCTS IDENTIFIED

Trump and his officials have specifically identified products such as cars, motorcycles, wines & spirits and agricultural items as those attracting very high tariffs in India.

"India's tariffs higher than the US' as it is a developing country with millions of farmers and micro enterprises to protect. But there are some tariffs that protect large businesses. The government must use its discretion while deciding on tariff cuts," a Delhi-based expert said.