



Tariffs: What to Expect

Implications for India

28th April 2025

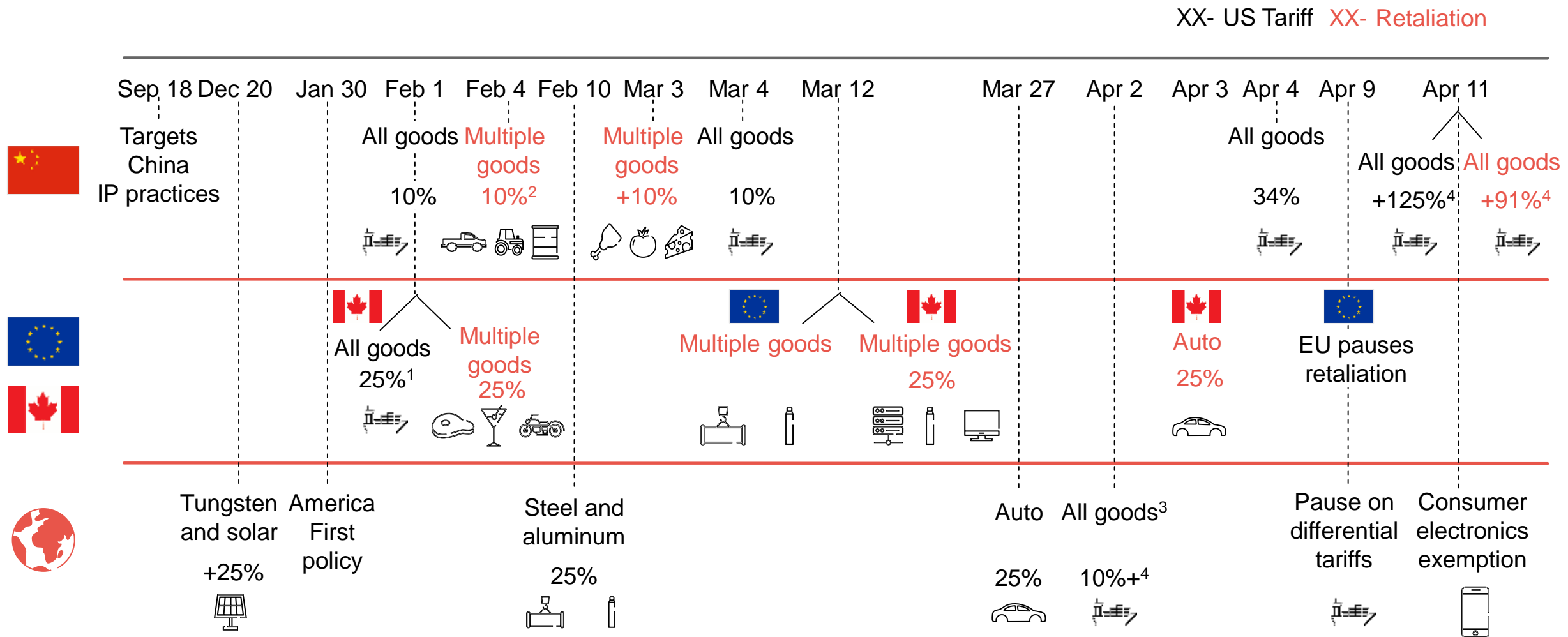
Agenda

Context

Tariff implications for India

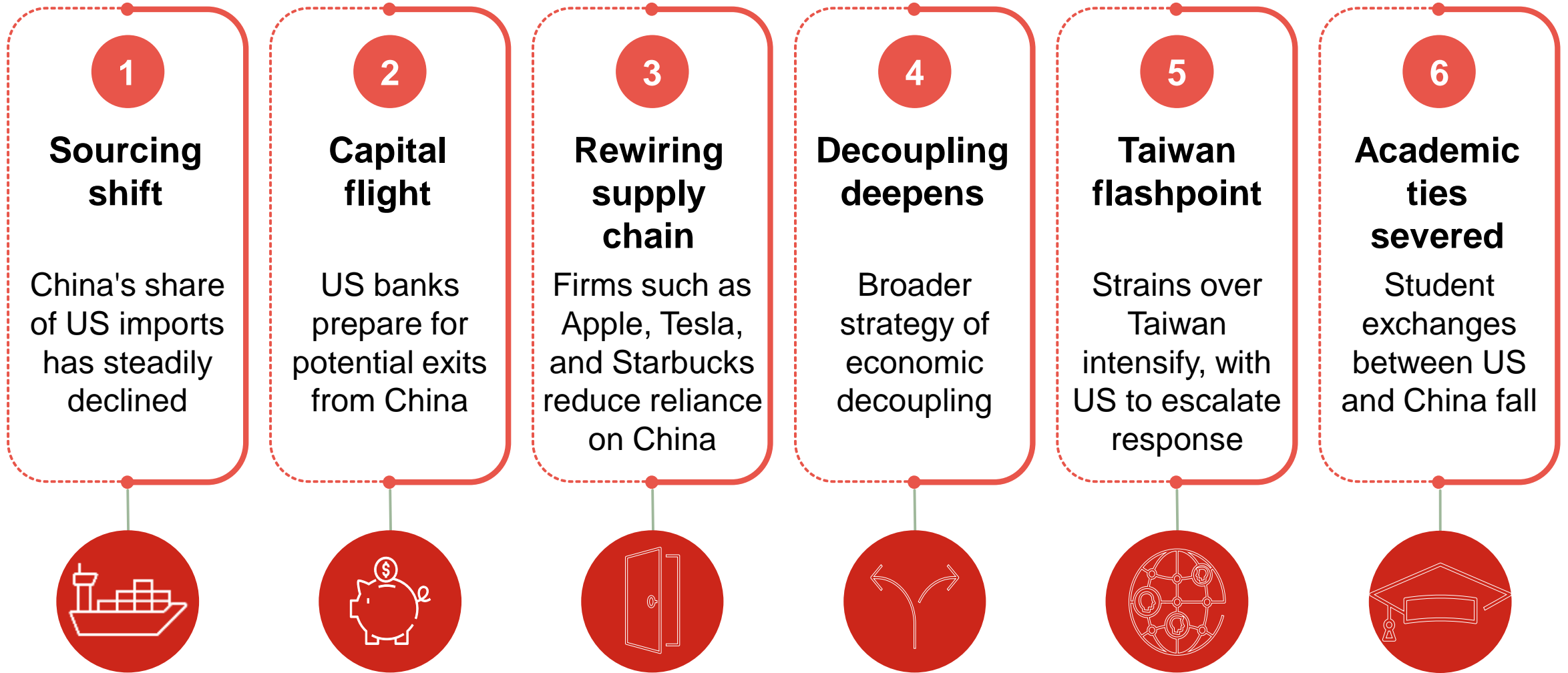
Appendix

Tracing the tariff trail: Key policy statements from US over time



Note(s): ¹ 25% tariffs on Mexico and Canada. Tariffs came into effect for Mexico and Canada on Mar 4, goods satisfying USMCA conditions were exempt from tariffs. ² 15% on Coal and LNG imports. ³ Differential tariffs were applied to various countries according to their trade surpluses ⁴ US and China imposed retaliatory tariffs on each other multiple times culminating in US imposing a 145% import duty on China and China imposing a 125% import duty on America
Source(s): Peterson Institute of Economics, Praxis analysis

From trade to tensions...



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Appendix

Relationship context across decades: India-US relationship is strategic and multi-faceted

US supporting India to strengthen its global position



Obama backs India on permanent UN Security Council seat

Joint collaboration in Energy sector



India, US to strengthen energy cooperation, focus on hydrocarbons, renewables, and emerging technologies

Paving way for Indian students to achieve higher education



Indians get more US student visas than any other country in 2022: US Embassy

R&D programs across presidential tenures



TRUST replaces iCET: New brand, old spirit on tech partnership

Long-standing military exercises continuing



India-US joint military exercise 'Yudh Abhyas 2024' begins in Rajasthan

US investment in India across sectors, e.g. Skill development



US announces Women in STEMM India Fellowship, various initiatives for India during International Education Week

Post Trump re-election: India-US relationship continues to grow

President Trump's election victory (6th November 2024)



Modi-Trump Summit (13th February 2025)



India resilient from US-led tariff disruption; upsides possible as well

1 Strengthening balance of trade

- India's overall trade deficit reduced from **US\$ 122B in FY23 to US\$ 78B in FY24** due to moderation in merchandise imports and rising services exports

2 Consumption driven economy

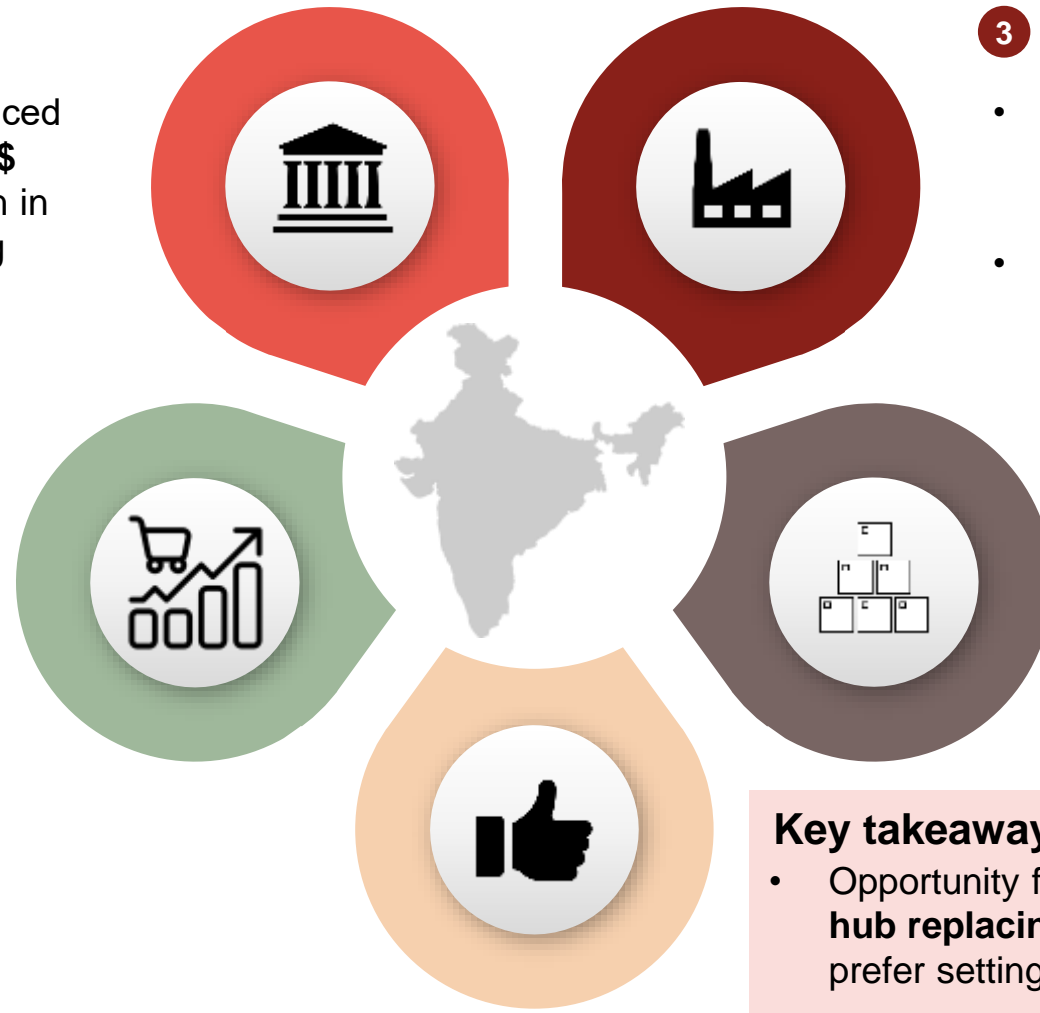
- India is **fifth-largest economy** in the world driven by domestic consumption which contributes nearly **~65% of its GDP**, **household consumption** increasing at **~7%**

3 Rising manufacturing hub

- Government initiatives** (Make in India, PLI schemes, etc.) **boosting local production**
- Large scale infrastructure improvement** (establishing SEZs, industrial corridors, etc.)

4 Diversified merchandise exports

- Low impact of tariffs on India as **non-pharma & non-petroleum merchandise exports** to US account for **only 14% of total merchandise exports** of **US\$ 439B**



Key takeaways

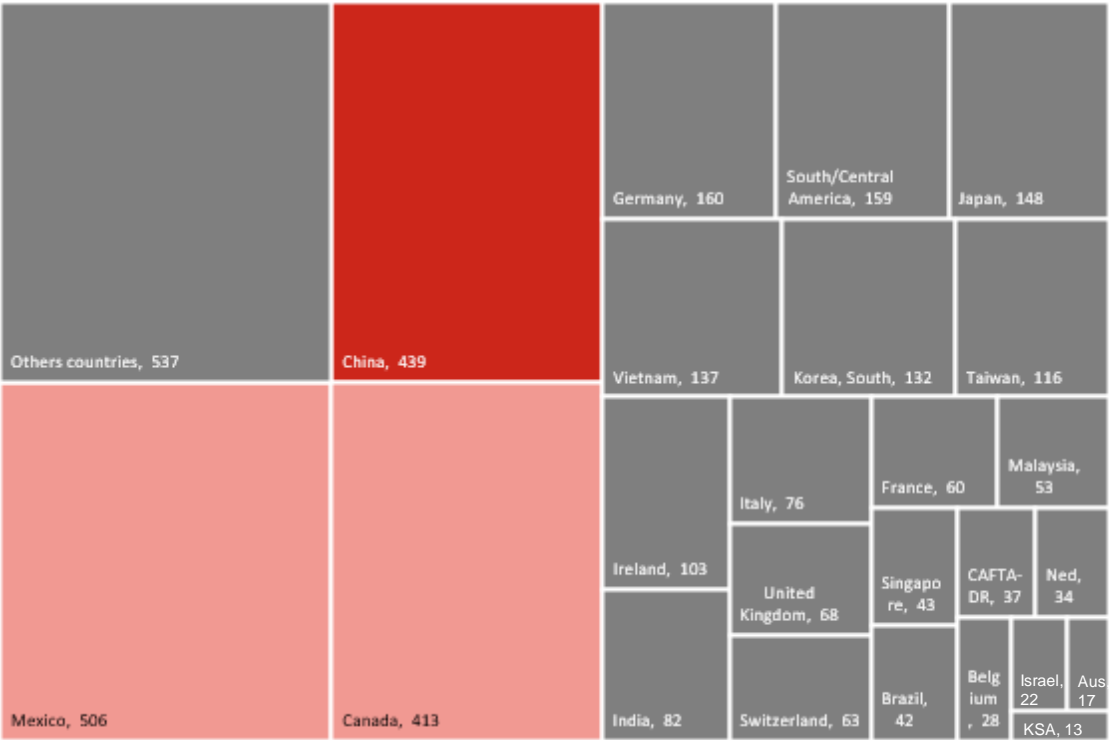
- Opportunity for **India** to be a **manufacturing hub replacing China** as manufacturers will prefer setting up in India due to **lower tariffs**
- Excess Chinese goods can be dumped in Indian market** harming domestic industries

India's low share of US imports, low balance of trade probably drove subdued tariffs of 10%

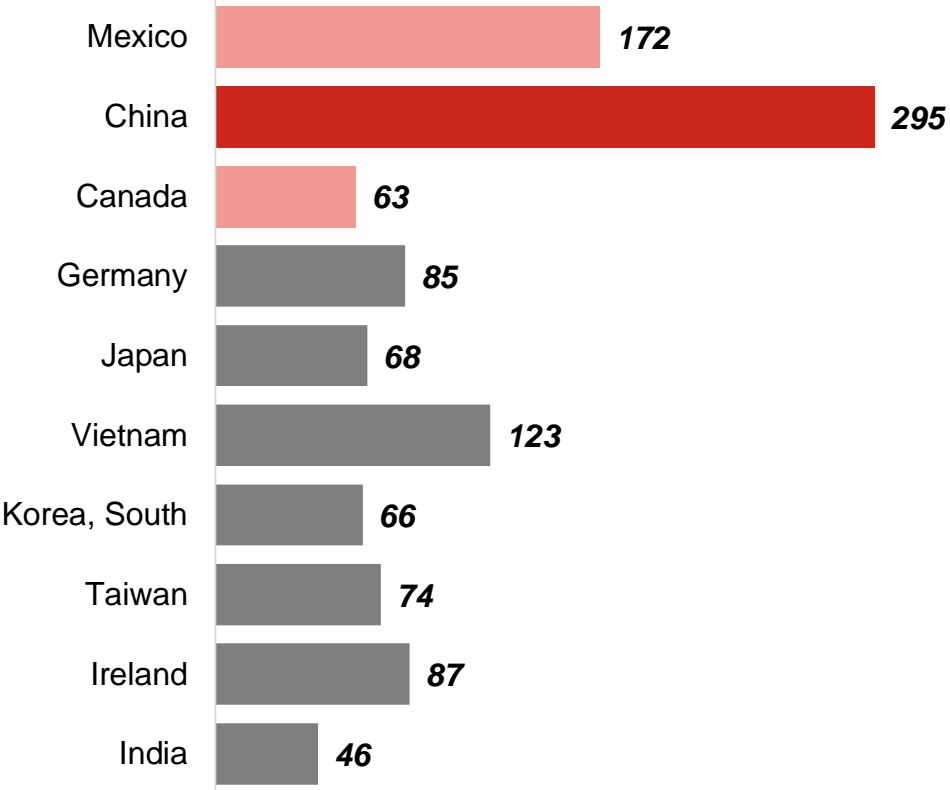
India is the 11th largest exporter of goods to US

India has lowest balance of trade followed by Canada within top 11 exporters

Goods imports by US
(US\$ B, 2024)
Total: ~US\$ 3,267B



Country's balance of trade vs US
(US\$ B, 2024)



Tariffs 10% 25% 145%

India very resilient: Only 7.5% of Indian exports impacted by tariffs, and only 38% of export categories impacted in any way globally

India faces low concentration risk as US accounts for only 18% of India's total goods exports

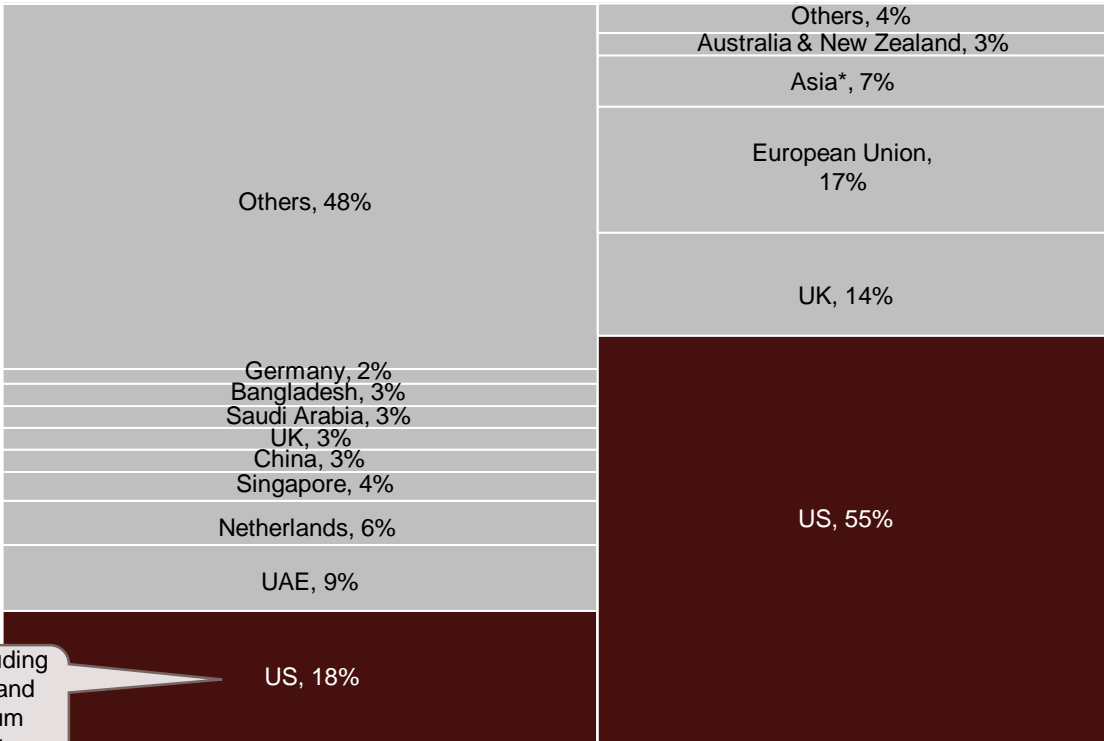
Software services and engineering goods form the highest exports from India

Exports from India (split by countries)
(US\$ B, 2024)

Total = US\$ 819B

439 (54%)

380 (46%)



Goods

Services

14% excluding pharma and petroleum products

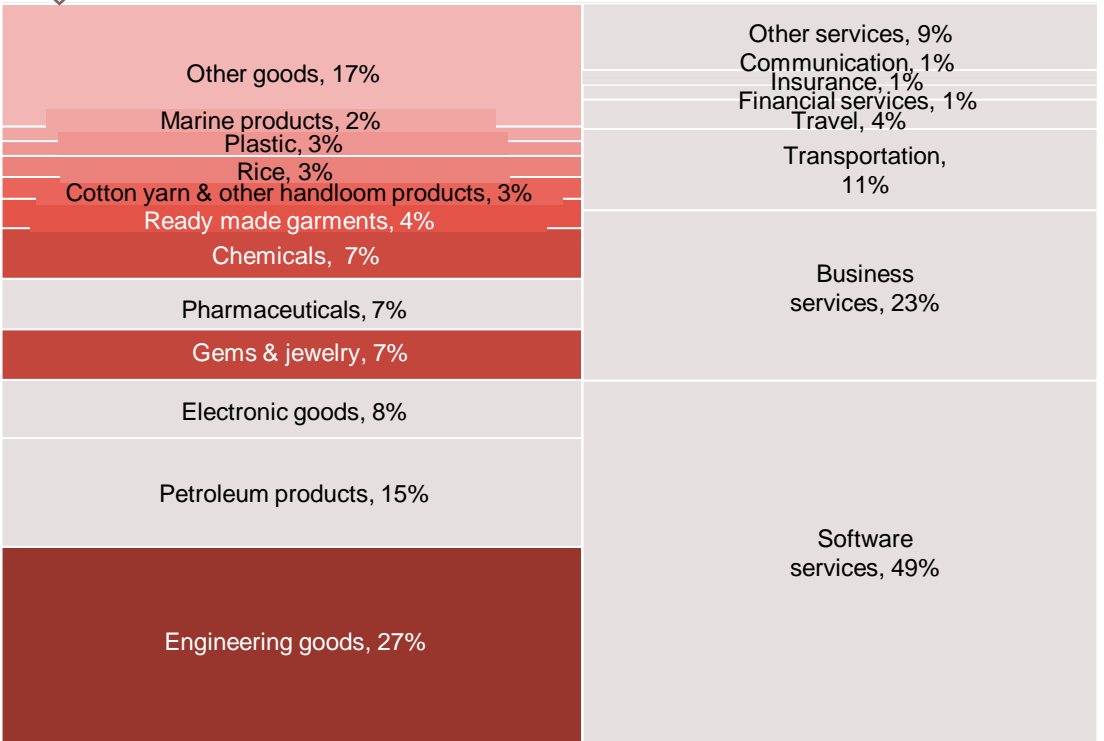
Exports from India by products
(US\$ B, 2024)

No tariff imposition on service industry

Total = US\$ 819B

439 (54%)

380 (46%)



Goods

Services

Petroleum products, electronics goods, and pharmaceuticals are exempted from US recent tariffs

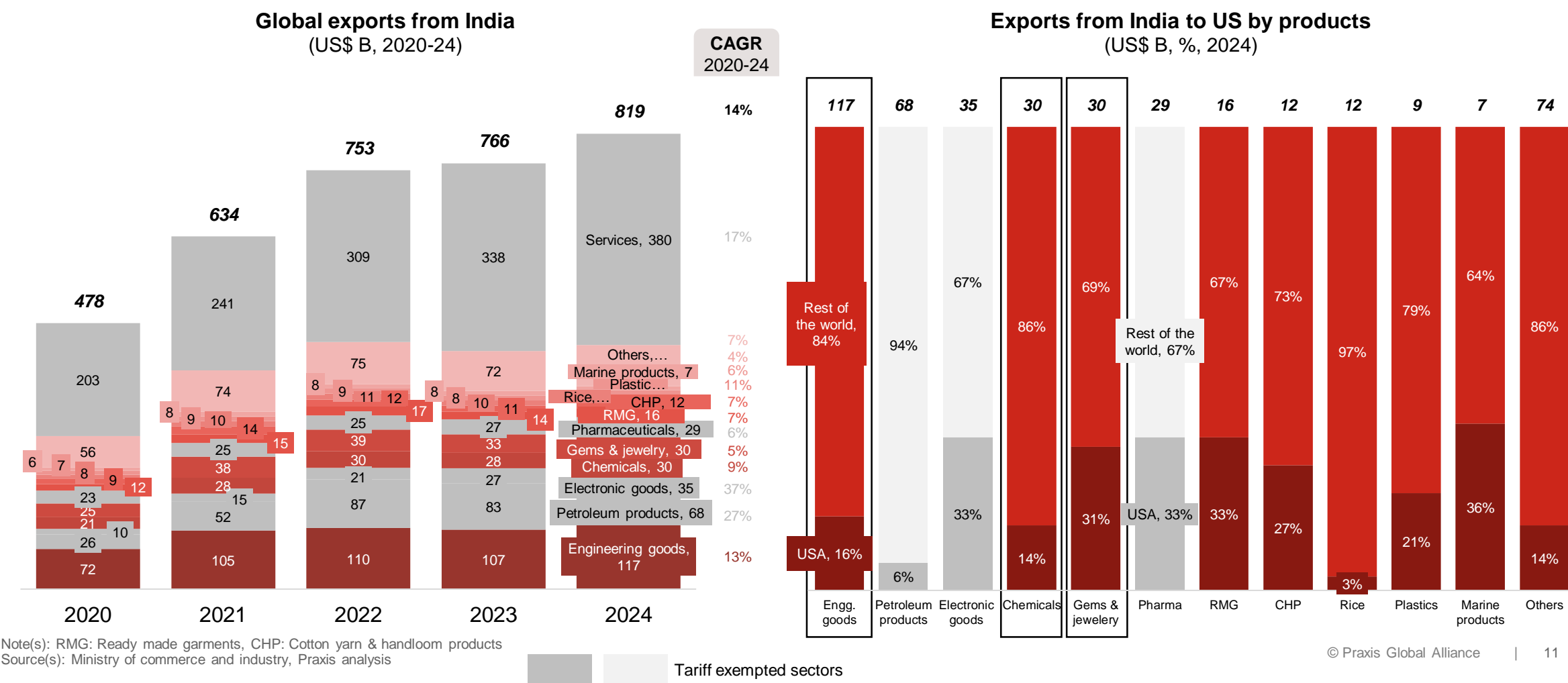
Tariff exempted sectors

Note(s): *Includes UAE & Saudi Arabia along with other Asian countries
Source(s): Ministry of commerce and industry, Praxis analysis














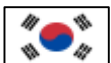




Fastest growing categories of electronic goods and petroleum products are exempted by US tariffs

Electronic goods, petroleum products, and service exports are key contributors to increased exports from India

3 of top 6 sectors by value are exempted by US tariffs; None of the categories have >40% US concentration



Any adverse US impact likely to be compensated: India could gain share of exports as tariffs for competing countries are much higher

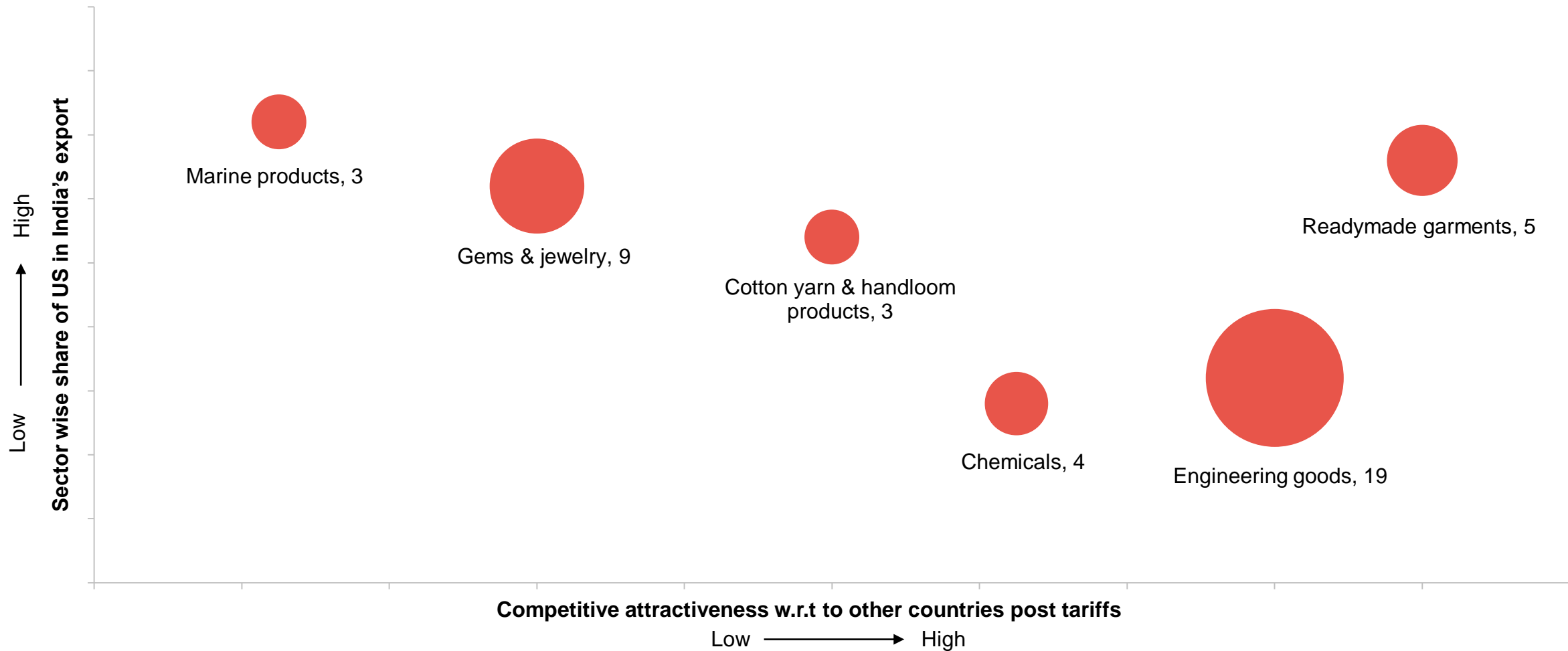
Top sectors	India (Exports to US, US\$ B, Tariff)	Competitor 1, Tariff	Competitor 2, Tariff	Competitor 3, Tariff
Engineering goods	US\$ 19B, 10%	 Germany 10%	 China 145% (+135pps)	 Japan 10%
Gems & jewelry	US\$ 9B, 10%	 Switzerland 10%	 Canada 25% (+15pps)	 South Africa 10%
Readymade garments	US\$ 5B, 10%	 China 145% (+135pps)	 Bangladesh 10%	 Vietnam 10%
Chemicals	US\$ 4B, 10%	 Ireland 10%	 China 145% (+135pps)	 Switzerland 10%
Cotton yarn and other handloom products	US\$ 3B, 10%	 Pakistan 10%	 Korea 10%	 China 145% (+135pps)
Marine products	US\$ 3B, 10%	 Korea 10%	 Indonesia 10%	 Singapore 10%
Others	US\$ 12B			
Total	~US\$ 55B*			

(+xx pps): variance from Indian tariffs

Note(s): *Excludes tariff exempted sectors like electronic goods, petroleum products, and pharmaceuticals
Source(s): Ministry of Commerce NIRYAT, US Census 2024, Praxis analysis

Exports of readymade garments, engineering goods, and chemicals could see accelerated growth in short to medium term

India's export attractiveness w.r.t to tariffs imposed by US
(US\$ B)



Source(s): Ministry of commerce and industry, Praxis analysis

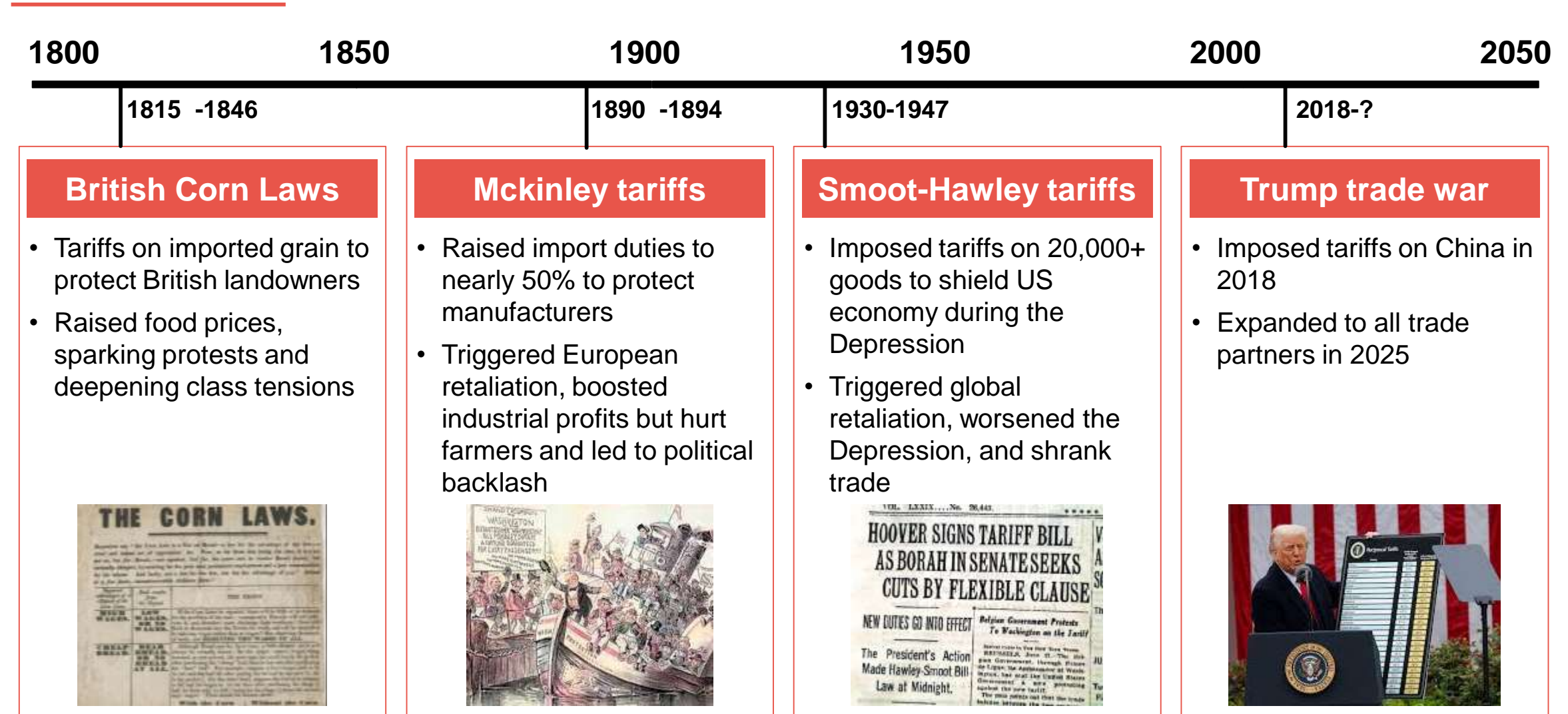
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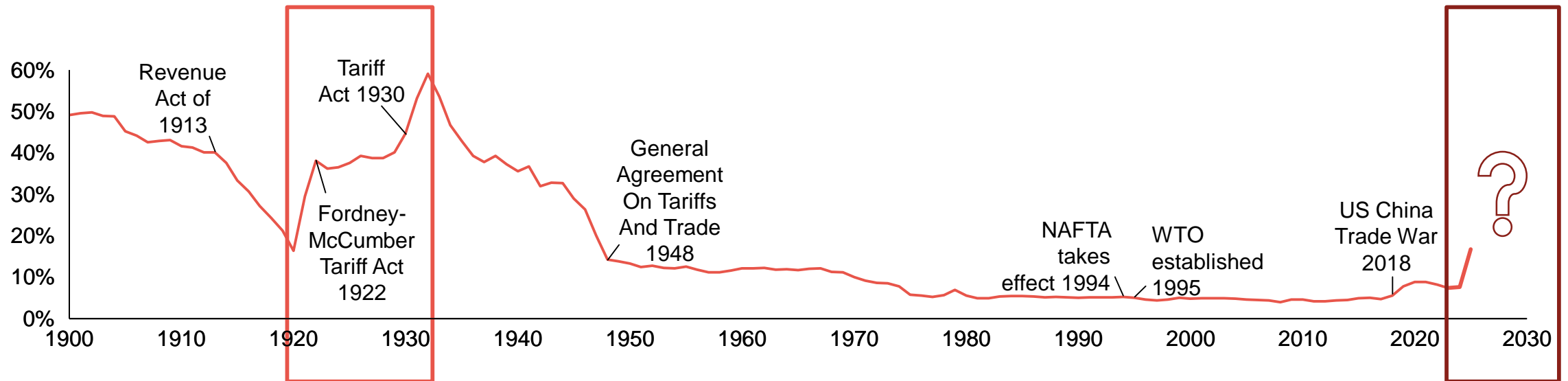
Appendix

Tariffs have been weaponized for centuries



Could Trump's tariff hikes trigger a 1930s-style economic fallout? Is your organization geared for it?

Trump's tariffs increase will be largest since WW-2 (*Average tariffs on dutiable imports*)



1920-30

- Retaliation from Canada and Europe, led to 30% fall in global trade
- High inflation and unemployment
- Bank failures and stock market crash

2025-30

- China, EU and Canada have announced retaliatory tariffs
- Uncertainty amongst consumers leading to lower purchases
- Record gold prices and falling stocks reflect high uncertainty

2018 vs 2025: A tale of two trade wars, from a focused campaign to a global one

Aspect	2018-2020 Trade War	2025 Trade War
 Tariff scope	<ul style="list-style-type: none"> Mainly China Limited steel / aluminum tariffs on others 	<ul style="list-style-type: none"> Broad tariffs on nearly all countries, including allies
 Tariff rates	<ul style="list-style-type: none"> Up to 25% on China 10-25% on metals from others 	<ul style="list-style-type: none"> Flat 10% on all imports Up to 145% on China
 Justifications	<ul style="list-style-type: none"> Trade imbalance, IP theft, national security 	<ul style="list-style-type: none"> Fentanyl, trade deficits, US manufacturing push
 Retaliation	<ul style="list-style-type: none"> China: US\$ 110B in tariffs Others hit back on metals 	<ul style="list-style-type: none"> China: up to 125% Retaliation from Canada, Mexico, EU
 Resolution	<ul style="list-style-type: none"> "Phase One" deal with China; many tariffs stayed 	<ul style="list-style-type: none"> Ongoing talks, most tariffs remain with some exceptions
 Economic impact	<ul style="list-style-type: none"> Higher US costs Global supply chain hits Limited reshoring 	<ul style="list-style-type: none"> Rising prices Slower global growth Market instability

The first trade war: Catalyst for new global order; reshaping geo-politics, strategies, and societies



Emergence of global south

- China shifted focus from the US to Russia, GCC, Africa, EU & ASEAN for trade and economic ties
- ASEAN surpassed China as top destination for OECD manufacturing investment from 2021

China's RCEP signing strengthened trade ties across the APAC region

China's share of US imports fell from 22% to 18% (2017-2020), while Mexico, India, and Vietnam gained share



Friendshoring / reshoring

- Global South countries to benefit in trade, especially in manufactured goods sector
- North America firms engaged in friend-shoring and reshoring to substitute China

Apple, Google, HP, and Dell have shifted production from China to Southeast Asia and India

20% of US firms in China reported shifting or considering shifting manufacturing out of China



Economic impact

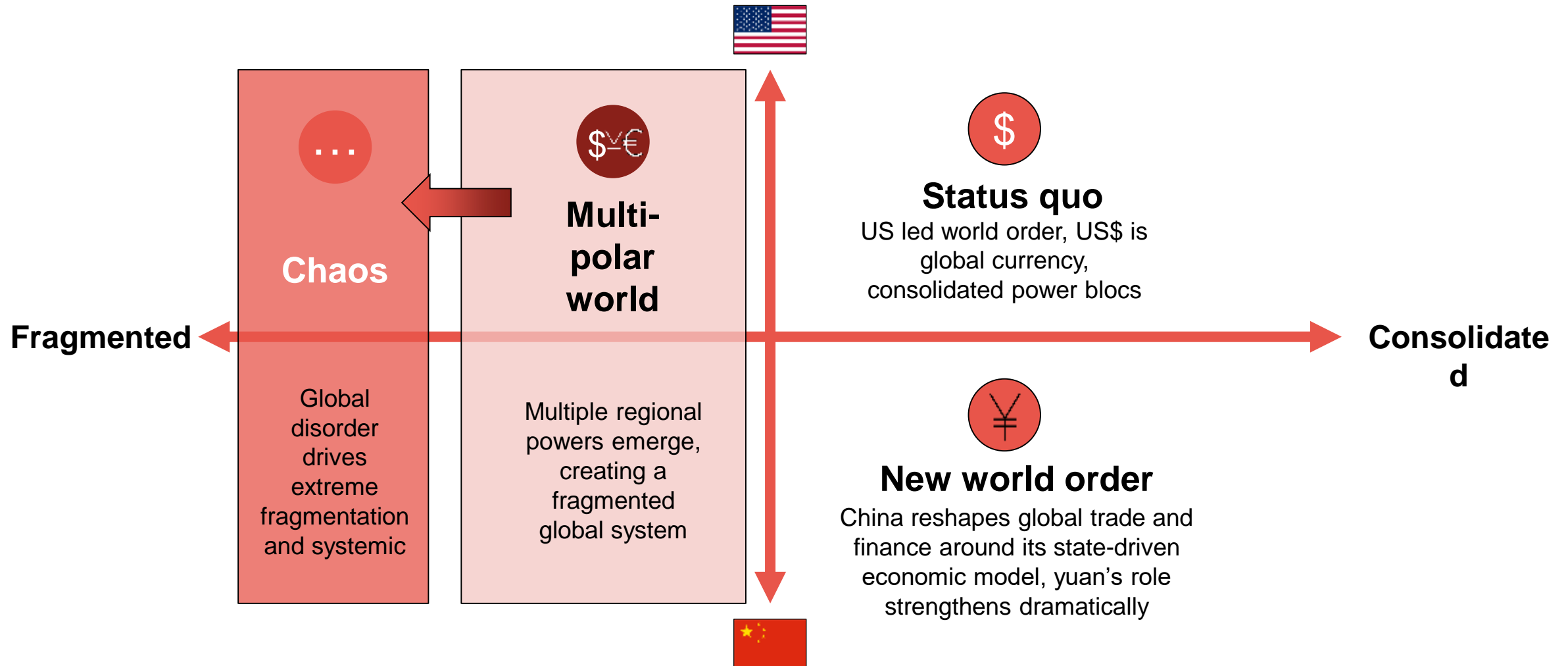
- Tariff-targeted sectors saw higher prices passed on to consumers
- Protected industries saw job growth, while downstream industries faced negative impacts

Tariffs created 7,500 jobs in steel and aluminum manufacturing but cost over 41,000 jobs in the auto industry

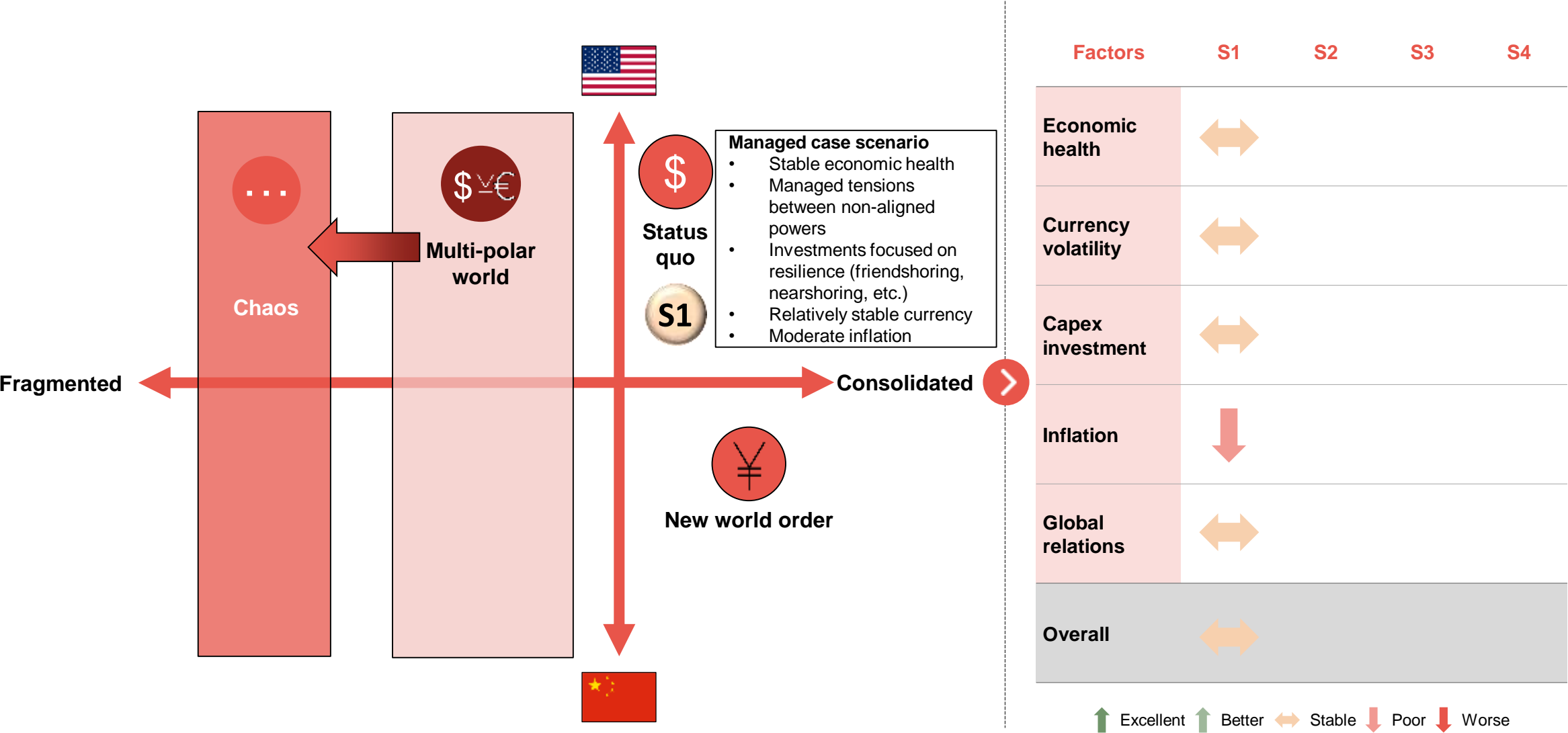
Food inflation in China reached 7.7% in 2019

US washing machine prices rose by 12% following tariff imposition

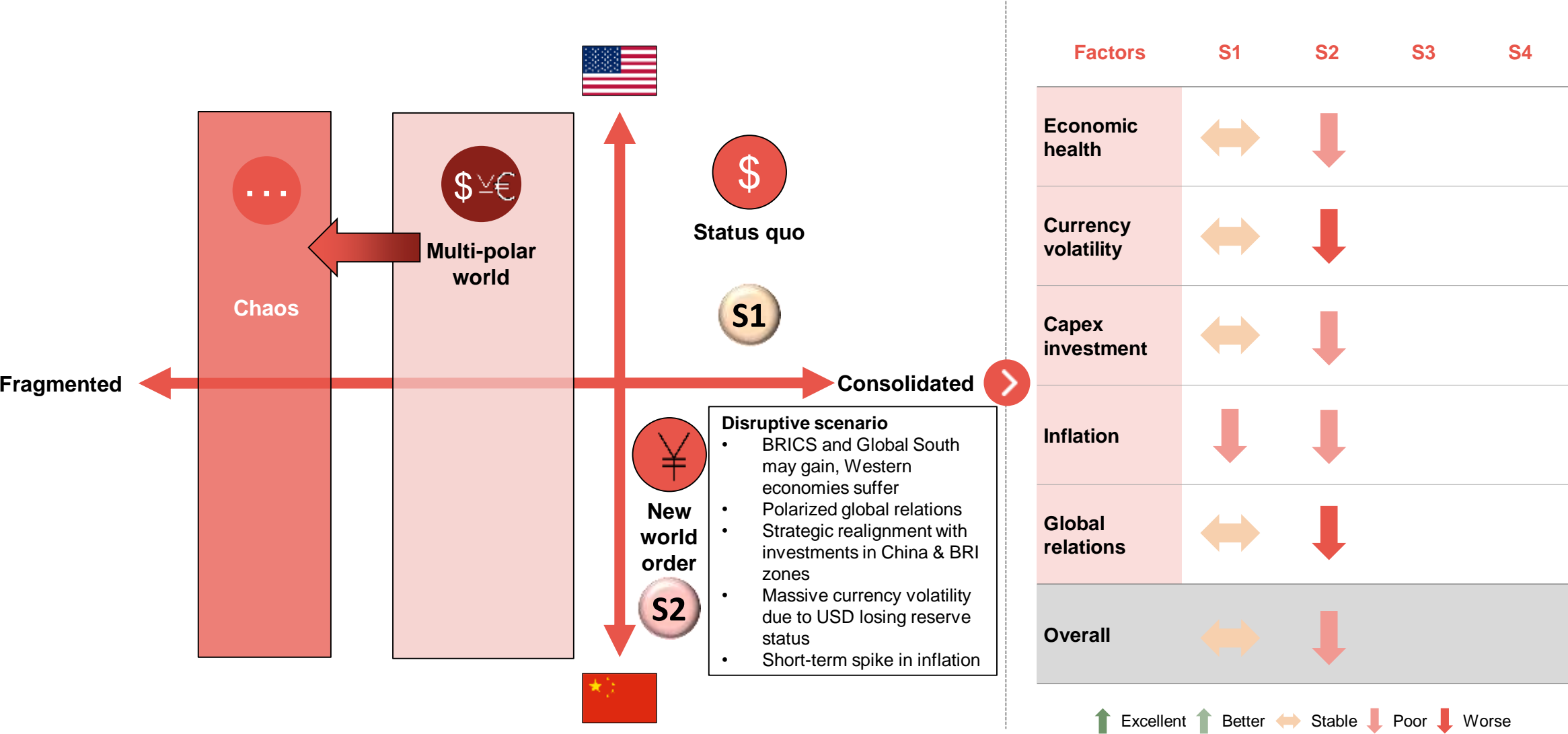
What the future world order could look like



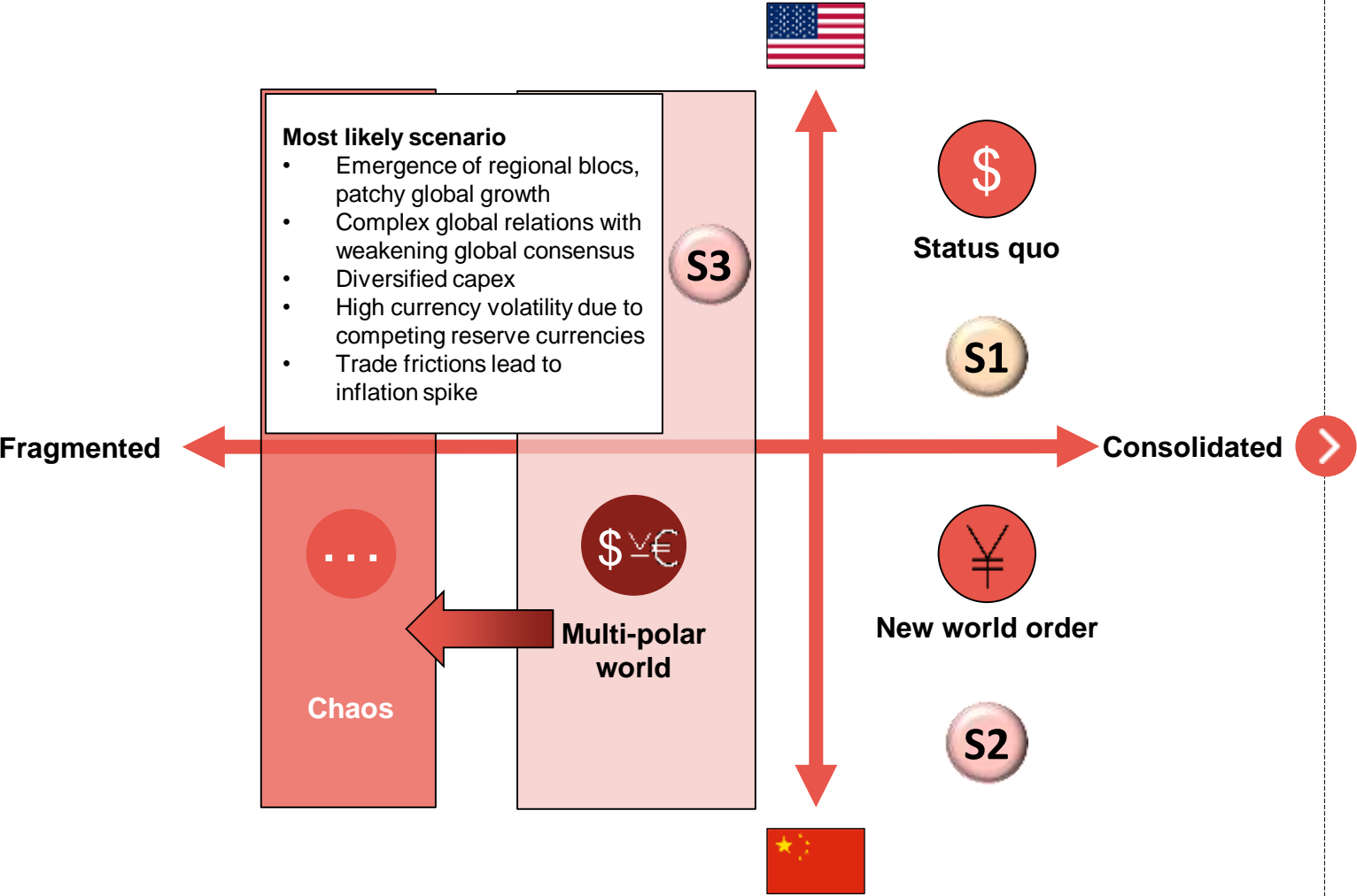
Second trade war: Where do we go from here?



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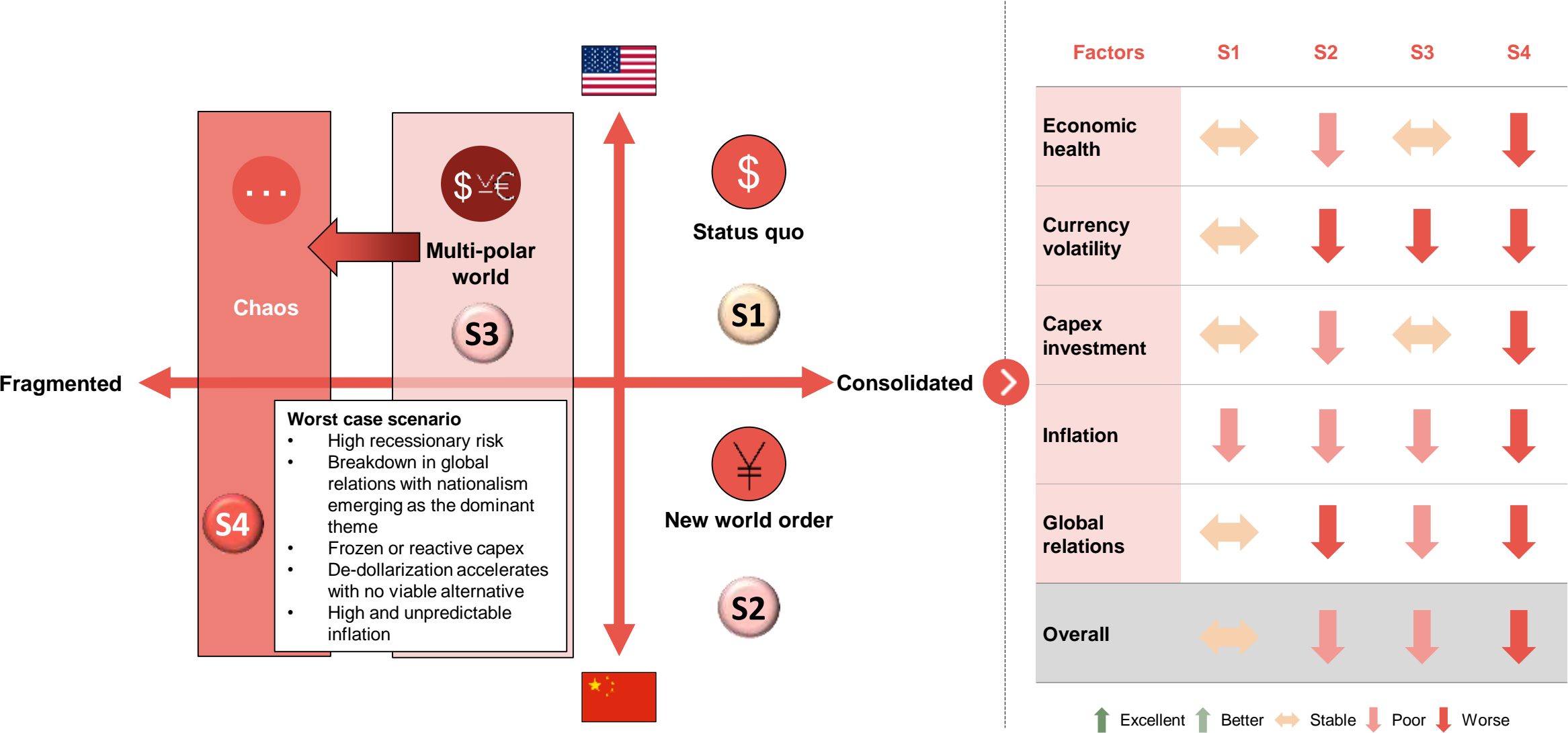
Second trade war: Where do we go from here?



Factors	S1	S2	S3	S4
Economic health	↔	↓	↔	
Currency volatility	↔	↓	↓	
Capex investment	↔	↓	↔	
Inflation	↓	↓	↓	
Global relations	↔	↓	↓	
Overall	↔	↓	↓	

↑ Excellent ↑ Better ↔ Stable ↓ Poor ↓ Worse

Second trade war: Where do we go from here?

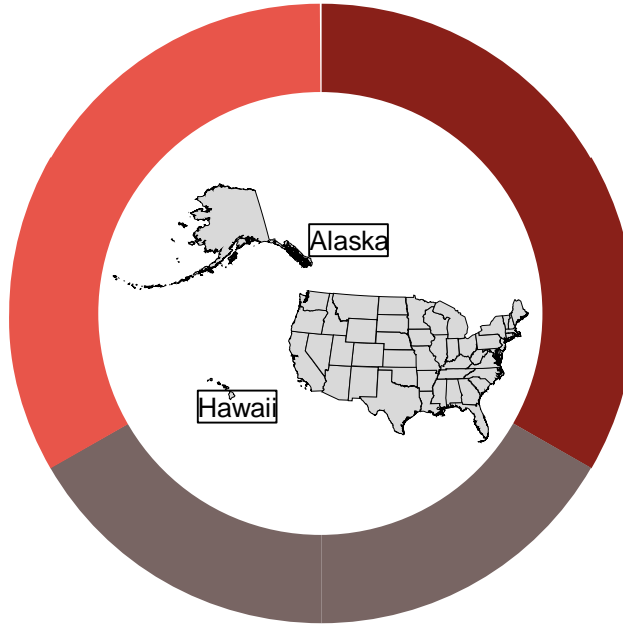


US: Rise in economic nationalism



Short-term tactics

- 10% tariff on all imports, with higher rates for specific countries, **to address deficits & boost domestic manufacturing**
- Tariffs on Chinese imports **increased to over 100%** - potential for 80% drop in US-China merchandise trade
- **25% tariffs** on imports from Canada and Mexico **over concerns of drug trafficking** and illegal border crossings



Long-term resilience

- **Nvidia plans to invest US\$ 500B** in US-based AI supercomputing to reduce reliance on foreign-made semiconductors
- The Trade Review Act of 2025, introduced on April 3, requires Congressional approval for new tariffs, **aiming to reassert legislative authority over trade policies**

Key sectoral insights:



Technology sector impact

- New US export restrictions on AI chips have **led to significant financial impacts on major semiconductor firms**, Nvidia, AMD, and ASML



Retail sector adjustments

- Retailers like Temu and Shein announced price hikes **due to the closure of the “de minimis” tariff loophole**



Agricultural sector challenges

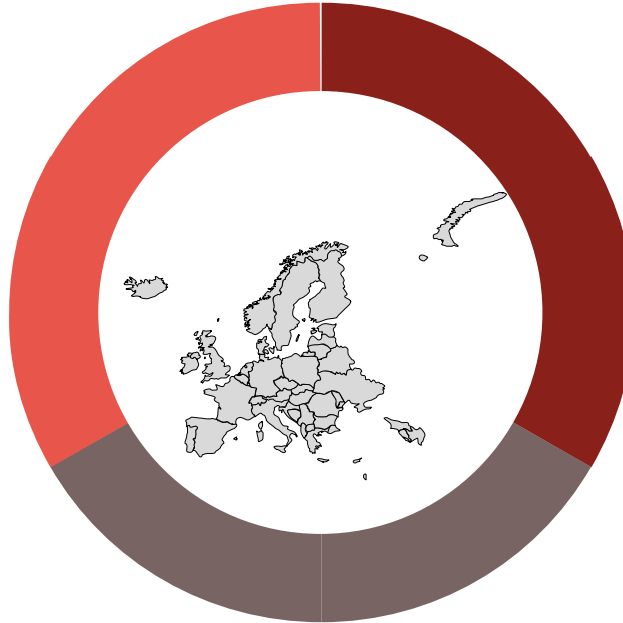
- **Vermont maple syrup industry faces pressure from tariffs** affecting its international supply chain

Europe: Push for self-sufficiency & strategic autonomy



Short-term tactics

- **EU finance ministers back EDM** to jointly procure military gear, **strengthening regional defense within budgets**
- **EU fast-tracks domestic production** of minerals across 13 states to support **semiconductors & defense tech**
- **EUR 10.6B investment in IRIS satellite network** to reduce reliance on Starlink and secure sovereign communications



Long-term resilience

- In Feb 2025, **Weimar Triangle expanded** to include the UK, Spain, Italy & EU to boost Europe's geopolitical weight
- **Strengthen digital defenses** against online manipulation and cyber threats, emphasizing the regulation of digital platforms
- **Develop sovereign satellite** launch capabilities to reduce dependence on US space technology

Key sectoral insights:



Defense and security

- **Sweden's integration into NATO** has brought advanced capabilities, notably its stealthy Gotland-class submarines



Digital and cybersecurity

- EU needs to bolster its **digital defenses** against online manipulation & cyber threats, and regulate digital platforms to protect democratic processes



Energy and raw materials

- EU is investing in **domestic production of critical raw materials**, such as gallium, to support industries like electric vehicles and renewable energy



Middle East: Strategic neutrality, trade routes and corridor diplomacy

1 Softening demand

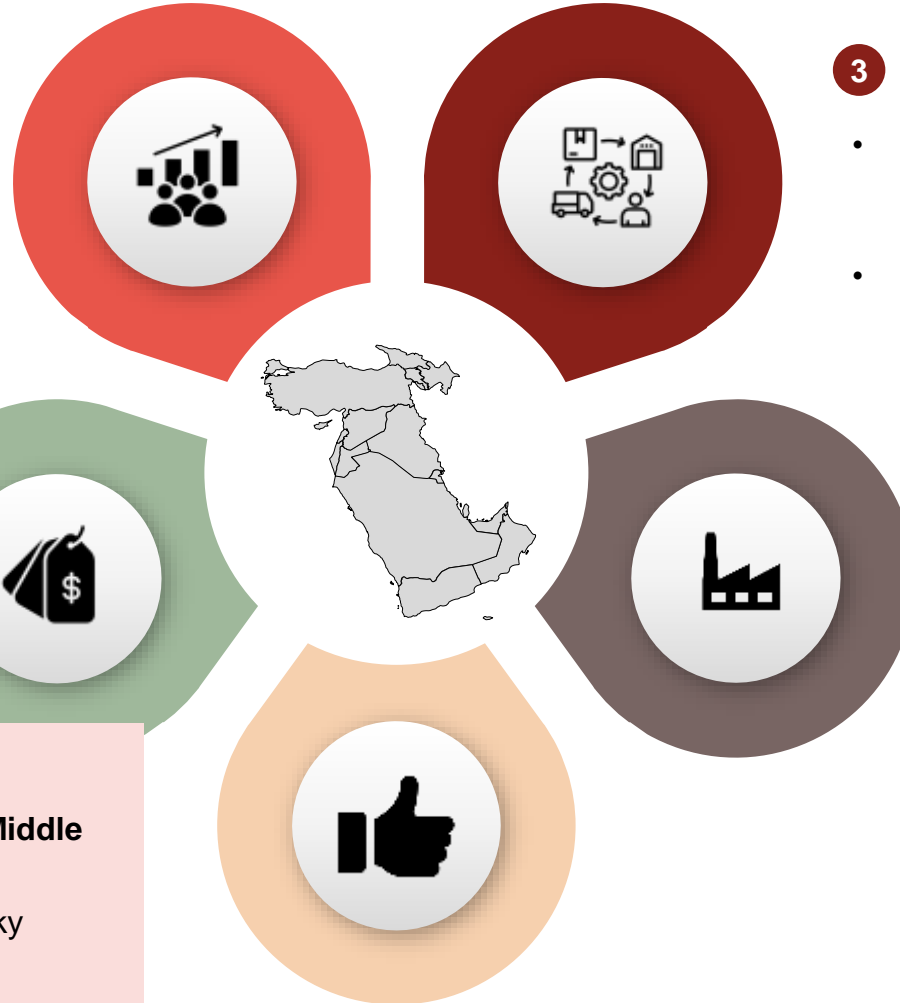
- Geopolitical balancing between US and China **may complicate foreign policy**
- Trade tensions reduce global GDP growth, **softening oil demand**—key for GCC fiscal revenues

2 Changing prices

- Some goods like smartphones, grains, and palm oil may get cheaper for GCC consumers, as tariffed countries find alternate routes to export

Key takeaways

- Strong ties with both US and China **position the Middle East as a key trade and investment beneficiary**
- Dubai as safe-haven may attract capital fleeing risky countries
- Middle East currencies pegged to dollar are weakening amid a selloff in American assets



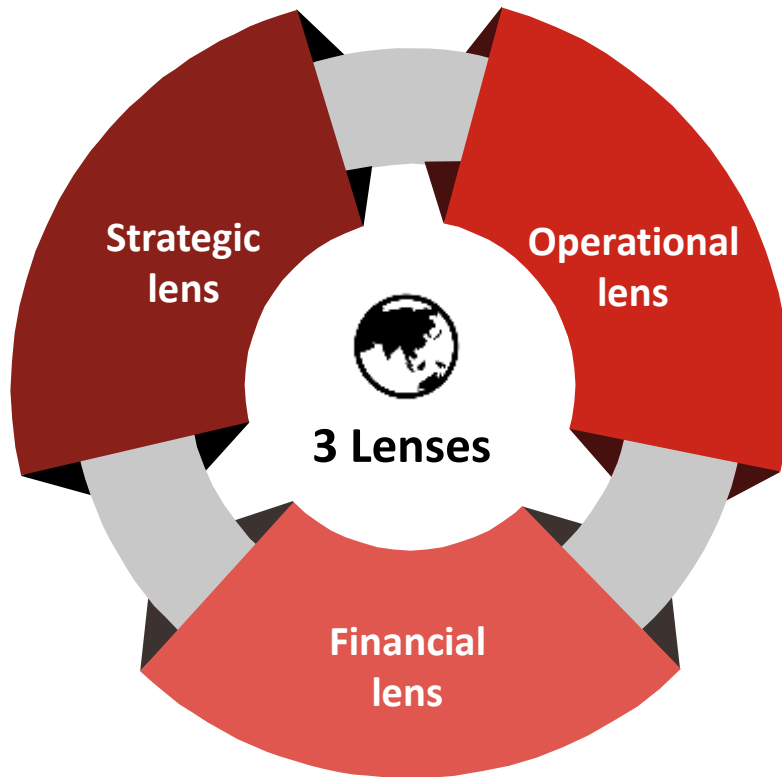
3 Adapting supply chains

- Companies adapting supply chains **must navigate new origin rules, tariffs, and compliance regimes**
- Companies reliant on exports to US market (Aluminum industry) **may need to look for new markets**

4 Manufacturing opportunities

- **Significant opportunity for transshipment** and manufacturing to US due to low tariff
- US tariffs on Chinese chemicals **open doors for Gulf producers in American markets**
- **Tourism may dip** as trade tensions weaken Chinese outbound travel and global consumer sentiment

Resilience by design: A CEO's agenda for strategic uncertainty



1. Strategic lens (*macro forces & competitive positioning*)

- Drive opportunistic M&A
- Build re-shoring “control tower”: Tariff-impact simulations, opportunities
- Pass through impact (consumers) and manage expectations (investors)
- Refresh risk processes and approaches (Business continuity plans)
- Rally organization around burning platform

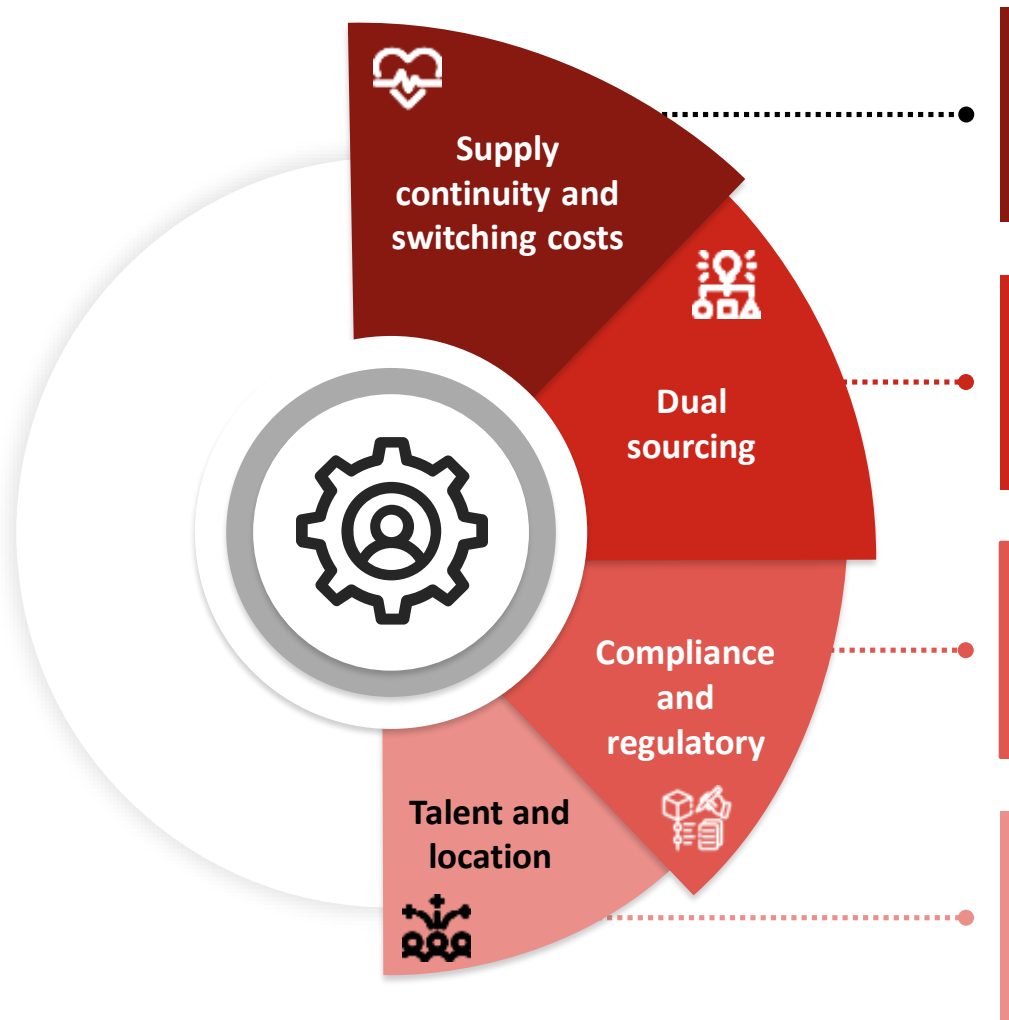
2. Operational lens (*operating model & footprint design*)

- Build intricate supply chain visibility
- Diversify sources across geo-political blocs
- Build dual-sourcing capability (for status-quo and extreme scenarios), price risks
- Rethink talent and SC footprint for geopolitical shifts

3. Financial lens (*resilience & protection measures*)

- Adapt trade finance approach in fragmented trade regimes
- Build risk transfer strategies via insurance
- Hedge against inflation and FX exposure

Operational implications for global companies



Implication	Short term strategy	Long term strategy
<ul style="list-style-type: none"> Raw material supply disruption High switching costs to US supplier 	<ul style="list-style-type: none"> Build up inventory before tariffs Supplier negotiations 	<ul style="list-style-type: none"> Sourcing to “friend” countries Value engineering
<ul style="list-style-type: none"> Limited availability of alternatives Potential price differences 	<ul style="list-style-type: none"> Expand existing supplier abilities Existing supplier negotiations 	<ul style="list-style-type: none"> Global scouting for new supply New suppliers in “friend” regions
<ul style="list-style-type: none"> Increased Risk of Audits & Penalties Longer processing times 	<ul style="list-style-type: none"> Close watch on regulations Add buffer time to the delivery time 	<ul style="list-style-type: none"> Delivery incoterms clarity Technology improvements
<ul style="list-style-type: none"> Geopolitical tensions and immigration policies 	<ul style="list-style-type: none"> Incorporate flexibility to relocate teams and functions 	<ul style="list-style-type: none"> Home market upskilling, Outsourcing to friendlier regions

Key takeaways



Regional implications

- **Europe:** Accelerating defense, mineral, and satellite self-reliance
- **US:** Tariffs and tech investments drive a hard pivot to economic nationalism
- **Middle East:** Neutral stance boosts trade gains, but fiscal and currency risks persist
- **India:** Low tariffs and strong demand **position India as a potential China alternative** for manufacturing



Future outlook

- **Trade realignments and friend-shoring intensified**, with Western firms shifting production to ASEAN and India
- High-tariff, **high-volatility scenarios risk economic slowdown**, investment pullback, and currency instability
- **Most likely path sees persistent US-China tariffs**, but selective growth via FTAs and shifting trade partnerships



Strategic and operational imperatives

- **CEOs must embed resilience through geopolitical foresight**, reengineered products, regional hubs, and financial hedging
- **Global firms face rising supply, sourcing, and compliance costs** — requiring near-term workarounds and long-term operating model shifts

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