# US Tariffs

## India a relative winner, but further tariffs could be a headache

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**Economic Update** ▸ External Sector ▸ **July 25, 2026**

**India's headline tariff rate in the US remains at 10% under the new Section 301 tariffs, with some peers (China, Vietnam, Brazil, Thailand) facing higher tariffs of 12.5%. Accounting for other tariffs that are still in place, India's effective tariff rate in the US (~12%) is much lower than for several competitors. However, textiles and apparel are likely to see erosion of relative competitiveness due to the lack of TRQ exemptions received by Bangladesh and other nations. Separate generic pharma tariffs (to be implemented from Aug-28 onward) are a headwind, but Indian exports may remain competitive. India's exports to the US have seen marked improvement after IEEPA tariffs were struck down in Feb-26; this trajectory should continue in the coming months. However, potential additional Section 301 tariffs are a headwind, and BTA negotiations will be crucial to ensure a relatively low tariff rate.**

### Trump's Section 301 tariffs on India at 10%, relatively better than for some peers

The US has imposed tariffs on 60 nations, including India, under Section 301 (following an investigation on forced labor practices), on 24-Jul-26, ahead of the expiry of the 10% global headline tariff under Section 122. India, along with 16 other nations (such as Indonesia, Bangladesh, Mexico, Canada, UK), is being tariffed at 10%, while the likes of China, Vietnam, and Brazil, among 38 other countries, are being tariffed at 12.5%. These rates will be applied on top of existing MFN rates. However, the EU and Taiwan will face 10% tariff net of their respective MFN rates, with Switzerland, Japan, and South Korea receiving the same net-of-MFN treatment at 12.5%. As earlier, 'sectoral' tariffs under Section 232 are unaffected, while certain specified goods and products will not be tariffed at all. As a result, ~55% of India's exports to the US will attract this additional 10% tariff, with the remaining 45% either exempt (generic pharmaceuticals, smartphones, etc) or facing Section 232 tariffs (steel, aluminium, auto parts, etc). India's effective tariff rate in the US is estimated to be unchanged at ~12%, lower than that for Bangladesh (~25%), China (~22%), Vietnam (~14%), and Indonesia (~14%).

### Textiles may lose relative competitiveness; pharma tariffs may not hurt

However, as with all things regarding US tariffs in the Trump administration, the devil lies in the details. Indian textile and apparel exports have not received tariff-rate quota (TRQ) exemptions under the Section 301 tariffs, which were awarded to the likes of Bangladesh, Cambodia, Indonesia, and Malaysia. The exemption applies to specified volumes of textile and apparel imports which use US-origin cotton and fiber. Hence, while the tariff burden remains at 10%, there will be a relative loss of competitiveness for Indian textile exporters vs key competitors. Additionally, earlier in the week, President Trump announced tariffs on imported generic medicines, to be imposed from Aug-28, at 100%, before being increased to 200% from Aug-29. The two-year grace period is intended to give manufacturers time to relocate generic drug manufacturing to the US. India, which supplies ~50%/~30% of US generic drug volume/value, respectively, would be significantly impacted by such tariffs. However, with Indian generics being 7-10x cheaper than branded alternatives, they would remain competitive even after a 100% tariff, with the higher costs being borne by US healthcare providers, insurers, and patients. The long implementation timeline also raises the prospect of this policy being modified or overturned due to legal or political considerations.

### Further Section 301 tariffs are a potential issue, with BTA negotiations to be crucial

India's exports to the US saw a marked improvement after the IEEPA tariffs were ruled unlawful by SCOTUS in Feb-26, with India's tariff rate then dropping to 10% (vs 50% earlier). India's monthly exports to the US have averaged $8.4bn in the four months since, vs $6.5bn in the prior six months. The improvement is likely to have been led by the likes of Gems and Jewelry and Marine Products—sectors which had been previously hurt by the punitive tariff rates; Electronic Goods exports have remained strong. We believe the Section 301 tariffs are unlikely to markedly change the trajectory of India's total exports to the US in the coming months. However, the relatively lower tariff than for some competitors may provide marginal benefits. We note that the Trump administration is also expected to announce the results of a separate Section 301 investigation (on excess manufacturing capacity), with India among the 16 countries being investigated. This could see the tariff rate on India being raised further, and closer to the IEEPA rate of 25%. In this context, ongoing negotiations on the India-US bilateral trade deal will be crucial to ensure a lower tariff rate and preferential access for Indian exports in the US market.



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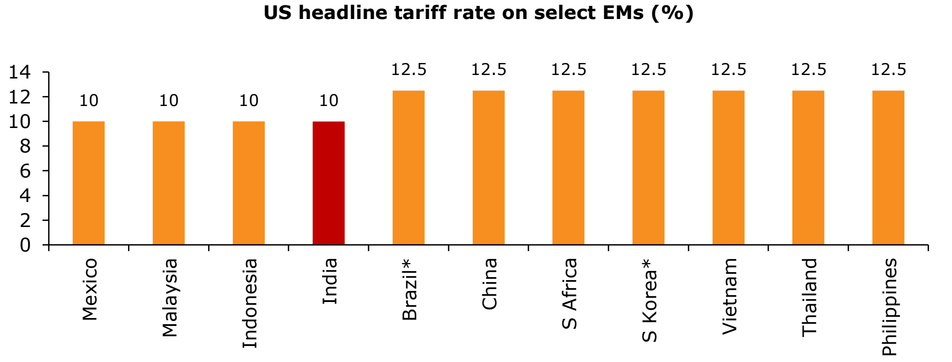
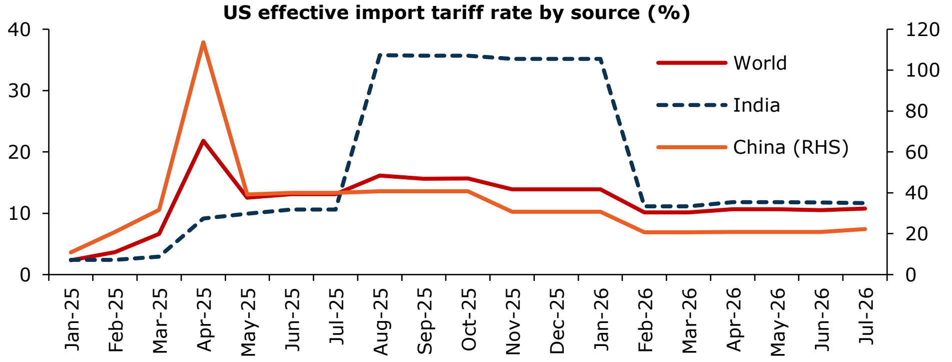
**Exhibit 1: India receives 10% tariff under Section 301, lower than that for some EMs**




*Source: Bloomberg, Emkay Research; Note: South Korea's rate is net of existing MFN tariffs, while several of Brazil's exports to the US are facing 25% additional tariffs under another Section 301 levy*

**Exhibit 2: India's effective tariff rate in the US remains at ~12%, with China at ~22%**




*Source: Bloomberg, Emkay Research*

**Exhibit 3: Global Section 232 tariffs remain in place**

| Sector/Product | Section 232 tariff rate |
|---|---|
| Steel | 50% |
| Aluminium | 50% |
| Copper | 50% on semi-derivative/finished copper |
| Automobiles | 25% |
| Auto parts | 25% |
| Medium/heavy trucks and buses | 25% on trucks/10% on buses |
| Lumber/wood products | 10-25% |

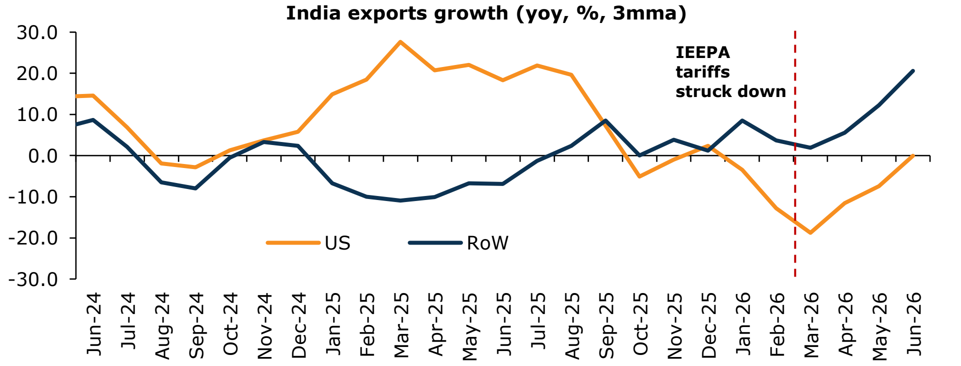
*Source: The Budget Lab, Emkay Research*

**Exhibit 4: Various tariff options available to the Trump administration, and their current status**

| Tariff options | Scope | Prior usage | Tariff limit | Legal validity | Period of imposition | Current status |
|---|---|---|---|---|---|---|
| Section 122 | Allows President to impose tariffs of up to 15% for 150 days to address 'large and serious' BoP deficits | Used by President Trump on 20-Feb-26 to impose tariff of 10% on all countries | Up to 15% | Never used previously; likely to be challenged in courts | Valid for 150 days unless authorized by Congress | Lapsed on 24-Jul-26 |
| Section 232 | Allows President to impose tariffs on specific imported goods if the Department of Commerce finds that these threaten national security | Used on multiple occasions to impose tariffs on various goods (steel, auto, etc) | No limits | Strong legal footing; backed by Department of Commerce investigations | No limits | In place |
| Section 201 | Allows President to impose temporary tariffs or quotas on imported goods that "injure or threaten serious harm to domestic industries" | Used to impose tariffs on solar cells, solar modules, and washing machines in 2018 | Capped at 50% above existing rates; must be phased down if imposed for more than a year | Strong legal footing; backed by USITC investigations | Valid for an initial four-year period; can be extended up to eight years | No active tariffs |
| Section 301 | Allows President to impose tariffs on countries engaging in "unjustifiable, unreasonable, or discriminatory" trade practices | Used in President Trump's first term to impose tariffs on China | No limits | Strong legal footing; backed by USTR investigations | To expire in four years, but can be extended | Imposed on multiple countries in Jul-26; further investigations ongoing |
| Section 338 | Allows President to impose tariffs of up to 50% on countries that have "discriminated against US businesses" | Never used previously | Up to 50% | Never used previously; likely to be challenged in courts | No limits | Canada warned of 50% tariff imposition |

*Source: Bloomberg, Emkay Research*

**Exhibit 5: Export growth to the US has begun picking up after IEEPA tariffs were struck down**




*Source: CEIC, Emkay Research*

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