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US Tariffs to Have Minimal Impact on the Indian Economy

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The recently announced 25% U.S. tariffs on Indian imports are expected to have only a minimal impact on India's economy, according to a study by the PHD Chamber of Commerce and Industry (PHDCCI). The report estimates that just $8.1 billion worth of Indian exports may be affected, translating to a mere 0.19% impact on India's GDP.

The trade measures, set to take effect on August 7, 2025, were introduced under the Trump administration and apply to a wide range of Indian goods. Despite the scale of the announcement, the chamber's analysis suggests the broader economic impact will remain limited.

Hemant Jain, President of PHDCCI, stated, "Our analysis indicates that there will be an estimated impact of only 1.87% on India's total global merchandise exports and a negligible 0.19% on India's GDP as a result of the 25% tariff."

According to the study, India exported approximately $86.5 billion in goods globally during the 2024-2025 period. The $8.1 billion potentially affected by the U.S. tariffs represents only a small portion of that total.

Key sectors likely to feel the pressure include engineering goods (worth $1.8 billion), gems and jewellery ($932 million), and ready-made garments ($500 million). These industries rely heavily on U.S. markets and could face pricing challenges as tariffs increase overall costs for American buyers.

To address the situation, PHDCCI recommended several strategies aimed at limiting damage and improving long-term resilience. These include enhancing market penetration, diversifying export destinations, and expanding product development. Additionally, the organization urged Indian exporters to explore bundled pricing strategies such as combining textiles with accessories to remain competitive on U.S. store shelves.

The study also highlighted the importance of community engagement through diaspora networks. It is recommended to leverage Indian cultural events and trade fairs to strengthen relationships with existing buyers and boost volume across current product portfolios.

Another key recommendation from the report is to consider joint ventures with U.S.-based companies to manufacture tariff-sensitive goods domestically. This, according to the chamber, would shift the trade model from simple product exports to high-value services and intellectual property licensing, enhancing competitiveness and reducing vulnerability to future tariff hikes.

The report reflects India's growing focus on maintaining strong trade ties with the United States while adapting to evolving trade policies. The approach aligns with broader efforts to protect economic interests while promoting fair and balanced international commerce.