Quote by Shravan Shetty, Managing Director, Primus Partners

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50% tariffs: Here's how India can flip the script on Trump's trade offensive

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Synopsis

India is preparing to counter the impact of Trump's 50% tariff through alternative markets and dedicated fund support, as key sectors such as textiles, gems & jewellery, and shrimp brace for the impact.

As US President Donald Trump hit India on Wednesday with an additional 25% tariff for purchasing Russian oil, raising the total tariff to 50%, Indian businesses and exporters are bracing for the economic repercussions. In response, experts and industry leaders are actively discussing measures to mitigate the impact of these tariff restrictions.

The US is a major trading partner of India. In FY25, India exported products valued at $86.51 billion to the US across various categories, including shrimp, textiles, and gems and jewellery. With the India-US Bilateral Trade Agreement at a standstill despite several rounds of negotiations, industry leaders and experts are exploring ways to contain the tariff impact.

The Indian government is reportedly preparing a Rs 20,000 crore export promotion mission aimed at protecting exporters from global trade uncertainties. This mission is being jointly implemented by the ministries of commerce and industry, micro, small and medium enterprises (MSME), and finance. It is expected to be finalised by August and come into effect by September.

The mission, according to sources, will have five components—trade finance, non-trade finance dealing with regulation, standards and market access, better brand recall for Brand India, e-commerce hubs and warehousing, and trade facilitation.

Ajay Sahai, DG & CEO of the Federation of Indian Export Organisations (FIEO), explained that when the mission was announced in the Union Budget this year, it aimed to increase access to export credit. From that perspective, there may be some softening of collateral on one hand; there may also be an element of the Interest Equalisation Scheme. "We have also requested that the Interest Equalisation Scheme for

MSME manufacturers be extended to all countries, with a specific emphasis on ensuring that all exporters receive this support for exports to the US, as it will enhance their competitiveness," he said.

He noted that there is a temporary problem, assuming that by September-October this year, India and the US are able to work out the Bilateral Trade Agreement (BTA). However, he pointed out that any losses faced by Indian exporters will be for a limited duration. "The good thing is that in that scenario, both buyers and sellers want to maintain the equation, and both sides want to look at absorbing the cost. They can look at increasing productivity."

However, "they have been forced to be innovative" due to Trump tariffs, so there is always a silver lining in all these things as well," he said. "Even if the replacement of the US market happens, it will take time. If we are not through with the BTA, we must be prepared for some setbacks in exports. That is undeniable," he added.

Nisha Taneja, Professor, ICRIER, asserted that allocating a dedicated fund to support and shield exporters from the disruptions caused by US tariffs is a commendable and timely initiative. "This is much in line with what countries like Australia, Spain, and South Korea are doing. The Australian government announced a $1-billion zero-interest loan package to support businesses facing market disruptions. Spain has combined direct aid and soft loans in its proposed relief package. Similarly, the South Korean EXIM Bank manages the Supply Chain Resilience Fund (SCRF), allowing exporters to respond swiftly to trade wars and geopolitical conflicts," she said.

Echoing a similar view, Shravan Shetty, Managing Director, Primus Partners, said that the fund can prove beneficial, especially for vulnerable segments like textiles, gems & jewellery, and auto ancillaries, wherein production-linked schemes can help provide relief. "The funds can also be deployed for strategic trade promotion activities and brand-building in alternate markets, such as Africa, the UK, the European Union, and Central Asia," he said.

Agneshwar Sen, Trade Policy Leader at EY India, emphasised the importance of understanding what percentage of this fund percolates down to the actual exporters who need it. This is important, given the undefined nature of the new Trump tariff regime, he said. "The arbitrage possible between exports of the same product from different countries; the lack of finality in the rates; the definitional issues, such as what would be considered as ''transhipping', etc., make a structured support scheme difficult to formulate. In case we see a significant downturn in US demand, the amounts from the fund would be needed to explore newer markets," he added.

Sahai also noted the necessity of placing greater emphasis on countries with which we have recently signed FTAs, as they remain underutilised. "We have one with the UK that will be operationalised; now is the time to start focusing on the UK market and the EU, where an early harvest is expected in the coming months."

"So, I think the strategy should be focusing on diversification because with the kind of tariff that has been imposed by the US and the threat issued every day, we cannot rely on the US. Even if BTA happens and an additional tariff in the form of India's relations with Russia is imposed, we can be subjected to any kind of tariff. So, this is the time we should look at diversification in the medium to long term. And we should exploit opportunities with FTAs," he said.

Shetty mentioned that the fund relief and the development of alternative markets will only help in the short to medium term. India must build structural competitiveness and export reliance frameworks in the long term, he said. "The answer lies in building an export ecosystem that can withstand geopolitical shocks, price wars, and shifting consumer preferences."

He proposed that the government should provide MSMEs and exporters with digital platforms and single windows to facilitate export credit, insurance, and risk cover, while noting that many smaller firms lack awareness or access to EXIM Bank schemes, ECGC support, or interest equalisation benefits. “Digitising access and simplifying application processes can significantly boost participation,” he said.

Among other measures, officials have indicated that lowering testing charges for smaller exporters, levied by the Export Inspection Council, can ease exporters’ concerns. Additionally, measures like providing customs relief, accelerating GST for exports and increasing RoDTEP can also mitigate tariff impacts, as per industry leaders.

The RoDTEP and RoSCTL schemes, as per Sen of EY India, should be expanded to cover all exports between them. He said that increasing the RoDTEP/RoSCTL rates to directly refund a wider range of embedded taxes and duties not covered by other schemes would reduce overall production costs for exporters, enhance the price competitiveness of their products in the international market and partially alleviate the tariff burden.

Divya Kumar Gulati, Chairman at the Compound Livestock Feed Manufacturers Association (CLFMA) of India, said that lowering the charges and simplifying the process for mandatory testing and certification (especially for food, agriculture, pharma, and chemicals) significantly reduces compliance costs. “It’s particularly vital for smaller exporters and for sectors with low margins, directly supporting their ability to remain price-competitive internationally,” he said.

Sector-specific

Looking at the sectors, textiles could be one of the worst hit with $4 billion of business, such as t-shirts and home textiles bearing the brunt, especially due to lower tariffs imposed on India's rivals—Bangladesh and Vietnam at 20%. At 50%, US tariffs on India are now the highest globally.

While lauding government's latest efforts to transform the existing official Export Promotion Mission announced in the Union Budget 2025-26 with allocation of only Rs 2,250 crore, Mithileshwar Thakur, Secretary General of the Apparel Export Promotion Council, recommended to include specific measures for the textile sector in the mission, given the size of the textiles sector which is the second largest employer after agriculture in the country.

“The earlier outlay was too modest for the exporting community, and amid tariff woes, we need incentives to offset India’s cost disadvantage vis-à-vis competing countries,” he said, adding that “reviving the Interest Equalization Scheme for five years at an enhanced rate of 5% for all exporters, without any value cap, is crucial.” He emphasized the need for continuity of schemes such as RoSCTL, a moratorium on loan repayments, expedited India-EU trade negotiations, and the quick disbursal of outstanding dues and claims of exporters.

Similarly, shrimp exports, totalling nearly $7 billion, to the US could suffer significantly. Even before the new tariffs, Indian seafood exporters were facing stiff price competition and falling prices thanks to increased supply from Ecuador (which faces only a 10-14% tariff).

“Shrimp prices dipped by 20-25% in the last year. The oversupply continues to depress global prices, which further erodes profits and export earnings for Indian producers. It’s estimated that Indian exporters are already facing losses of Rs 600 crore due to order cancellations and containers stuck in transit as these tariffs take effect. Margins in the industry are a slim 4-5%, making it impossible to absorb such steep tariff hikes, and exporters fear a significant long-term loss of market share, with Ecuador likely to replace India as the top shrimp supplier to the US,” pointed out Gulati.

He added that the government’s Rs 20,000-crore scheme will focus on making export credit accessible, enhancing brand building, and addressing non-tariff barriers. The aim is to provide liquidity, promote market diversification, and support value addition. “While this injection can help tide over some immediate financial distress, industry experts warn it cannot fully compensate for the cost disadvantage created by the high US tariffs and ongoing oversupply and price drops due to Ecuador’s surge in production and exports,” he said.