

Have world tariffs affected the Indian economy?

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ABSTRACT

This article examines the extent to which global tariffs have affected the Indian economy, with a particular focus on recent tariff measures imposed by the United States. Through an analytical yet reflective lens, the study explores how protectionist trade policies influence India's exports, imports, employment, inflation, and international relations. Using examples such as U.S. tariffs on Indian steel, aluminium, and manufactured goods, the article highlights measurable economic consequences including reduced export competitiveness, potential GDP losses, job displacement in labour-intensive sectors, and rising production costs driven by higher import prices. At the same time, it acknowledges India's growing role in global trade and its capacity to adapt through supply-chain diversification, policy initiatives like Make in India, and strategic shifts in energy and trade partnerships. The article argues that while tariffs create short-term economic disruptions and social challenges—particularly for small businesses and workers—they also compel long-term structural adjustments that may strengthen economic resilience. Overall, the paper concludes that world tariffs have had a significant but complex impact on the Indian economy, presenting both constraints and opportunities within an increasingly protectionist global trade environment, as interpreted from the perspective of a high school student engaging with contemporary economic debates.

Introduction

Tariffs, the grammatical meaning - a tax or duty to be paid on a particular class of imports or exports, but what I would call it economy destroying policies, for years now we have seen that tariffs have either created or destroyed economies, I would say more on the negative side; Let us take for example Trump's 25% penalty tariffs on India and according to him it was because "India was purchasing oil from Russia". Professor Rajan Kumar from The School of International Studies said "No, Trump is not doing this because of the Epstein file. And he's also not doing it because of what Prime Minister Narendra Modi said in Parliament... The reason he's doing it is strategic — he's doing it for all countries... Essentially, Trump thinks he can put pressure on

India, and that India will accept the terms... He's trying to gain a negotiation advantage by putting multiple charges on countries, and also sending a message to Russia." and i agree with him, all Trump is trying to do is create history, to make sure that he is remembered as a president, to send a message to the world that the USA is still a world leader even today. Another example is the 50% tariffs on all Indian products effective from August 27, 2025. This created a massive controversy between both the countries and majorly impacted Indian workers and the Indian economy, 300,000 workers with lost jobs to be exact and 7 trillion worth of Indian economy affected by these tariffs. That is Trump's message. I call it just creating controversy. In this essay, you will read about how tariffs on India have affected the Indian economy, workers, and international relations through the lens of a high school student.

India's place in global trade today, emerging, is what I would call the 14th worldwide rank in exports and 11th in imports, and fourth global ranking in GDP, 4.19 trillion USD. India has increased its trade footprint over the years, which has had both negative and positive impacts on the country. Let us start with positive growth, a decrease in unemployment, a booming IT and pharmaceutical industry, and an increase in trade partnerships in Asia, Europe, and the Middle East, creating major global relations affecting the Indian economy. However, when we look at the negative impacts, it's a whole other narrative, such as the tariffs imposed by other countries often ripple into India's economy, affecting competitiveness and market access, major infrastructure bottlenecks that increase logistics costs, ports getting more congested, many regulatory challenges such as complicated tax systems and geopolitical risks with neighboring countries that lead to sudden trade disruption. India combines economic growth, a decrease in unemployment rates, and betterment of global relations with developing ports, logistical disadvantages, and geopolitical risks. In my opinion, although there are multiple MNIs, all the three tiers of countries' are heavily reliant on both exports and imports. In the case of India, there are both negative and positive impacts on global trade. However, the positive impact outweighs the negative impact.

World tariffs have made a major direct impact on all Indian products, from steel and aluminum to even textiles, making all Indian-made products less competitive, leading to pressure on Indian businesses with annual losses of 7 billion USD and a potential GDP loss of about 0.3 to 0.4%. Due to these major potential losses, markets such as Vietnam, Bangladesh, and Sri Lanka, who face lower US tariffs, could start taking over the Indian market through developing their own markets in their respective industries. Well-known economists from the United States say that "Trump's tariffs on India are *stupid, self-destructive, in violation of international law and politically incompetent.*" - Jeffrey Sachs (Columbia University, U.S. economist), this shows us leading global experts in the field believe that these tariffs are not only economically damaging but also major destructors of diplomacy. It highlights how such nationalist policies can backfire

on the US, impacting trade relations, efficiency in global markets majorly reducing, and ultimately affecting the United States' international relations. For India, Sachs' statement shows us the unfair burden put on Indian exporters and the need for strategic diversification to combat these tariffs.

Today, India heavily depends on imports to the country, in sectors such as crude oil, machinery, and electronics, as global tariffs shoot up import prices, which in turn drives up production cost across heavy Indian production industries. International commodities and becoming more expensive, and Indian manufacturers face reduced margins and often have to raise prices for customers. This scene creates a "cost-push" inflictor bias in Indian markets, making agricultural sectors extremely vulnerable and easily affectable. For this instance, approximately 80% of all Indian petroleum is imported which means even a small increase in global oil prices could majorly impact the cost of the agriculture and transportation industries, ultimately increasing food prices and contributing to overall inflation.

India has a dependency on Russian oil today but by diversifying its energy imports from countries such as Saudi Arabia, Iraq, and the UAE, which are India's main crude oil providers, India could become a stepping stone toward reducing its dependency on Russian crude. In my opinion, India could also look toward Western African countries like Nigeria and Angola for additional supplies. This could also become a step toward increasing the trade relations of Western African countries and creating global relations beyond shifting suppliers. India should invest in renewable and domestic oil sources to reduce vulnerability through external factors. However, these alternatives may be more expensive than the discounted Russian crude oil, raising India's overall import bill and again risking inflationary pressures on the country.

Over the years, The United States of America has imposed tariffs on India, during March of 2018 the United States of America imposed taxes of 25% on steel and 10% on aluminium, under section 232 of the United States Trade Expansion Act of 1962 claiming that it criticises national security. This initiative directly impacted the metal and steel markets in India worth over 1.5 billion dollars in annual revenue. In retaliation, the Indian government imposed taxes on various goods from the United States, such as almonds, apples, and walnuts, which create major revenue for the export markets of the U.S. These tariffs implemented by both the countries created major disruptions in the global export market additionally it also had a major impact on business on both the countries' coasts. Although this had a major initial impact on both the markets over the years business in India changed their supply chain to other alternative countries and farmers in the states diversified their buyers outside of India. This case study on the 2018 tariff war shows us that although tariffs could create initial disruption in markets it could also lead to long term adaptations for the markets to continue pumping cash and flowing products into global markets.

Over the years we have seen that tariffs don't only affect trade numbers, they also affect peoples' lives.

Export heavy industries over the world like textiles, agriculture, and handicrafts employ millions and millions of people every year many of them are small scaled or family runned businesses. When countries impose tariffs on Indian products such as rice, tea or spices, making it more expensive abroad, reducing its demand, millions of people lose their jobs, small scaled businesses lose revenue making it tougher to continue with the same business leading to the business shutting down. In the short term this creates financial strain, uncertainty and vulnerability for the under privileged. Over time, it discourages investors to invest into these businesses, slowing down their growth and reducing revenue through those sectors for India.

Although the challenges posed by tariffs on the Indian economy, India has portrayed resilience by turning global trade tensions into opportunities. For instance, when the U.S imposed tariffs on China during the trade war, many countries looked towards an alternative supply chain hub. This sudden shock in global trade, allowed India to attract more investment in manufacturing and exports heavy industries. At the same time government initiatives such as *Make in India* aimed to strengthen domestic industries, reduce reliance on imports, and position the country as a global production base. In the long run these strategies could help India not only to withstand tariff shocks but also emerge in stronger global trade becoming a global trade outcome.

Global protectionism, marked by rising tariffs, posed both risks and lessons for the Indian economy. On one hand, sustained tariff barriers can discourage globalisation and limit India's access to international markets, slowing down GDP growth and reducing export competitiveness. Developing economies like India often rely on global trade to fuel industrial expansion, attract foreign investment, and generate jobs so prolonged restrictions can be damaging. Yet in the long term such challenges also compel India to adapt by diversifying its trade partners, investing in self-reliance and strengthening domestic industries. Initiatives that promote innovation, manufacturing and market expansion within India could turn global protectionist trends into a catalyst for sustainable economic resilience.

In conclusion, tariffs and protectionism portrays and highlights the vulnerability of India's integration into the global economy. While short-term effects may limit exports and slow down growth, they also create an opportunity for India to reimagine their trade strategy, diversify its partners and strengthen domestic growth. By investing in export independence while still engaging with international markets, India has the opportunity to turn the challenge of global protectionism into a pathway for long term resilience and sustainable growth.

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