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Strategic Reforms for US Tariff Hike on Indian Imports

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Abstract
US President has imposed staggering additional 50% tariffs on Indian imports—the highest in Asia. U.S. Trade policies significantly impact India, influencing exports, tariffs, and investment flows. With this approximately 48 Billion dollar worth Indian exports to U.S will be significantly impacted. While protectionist policies are a problem for Indian businesses, possibilities are opening up as a result of changes in global supply networks. India can take advantage of strategic alliances, broaden its customer base, and increase its competitiveness to succeed in the ever-changing global economy war. U.S. tariffs are all over the place and are threatening to derail international supply chains and reduce consumer optimism. Consequently, market instability ensued, causing U.S. stocks to suffer heavy losses and heightening concerns of a recession. As it negotiates the changing trade dynamics, India, a big rising market, encounters obstacles and opportunities.
Study highlights the intricacies of contemporary trade protectionism and provides insight into how developing nations like India might weather external shocks without sacrificing their path to sustainable prosperity. The India-US relationship finds certain problems, factors influencing trade. A road map to more foreign investment, stronger domestic growth, and the ability to turn challenges into opportunities is available through strategic planning.

Keywords: Foreign trade agreements, **Export-diversion,** Tariff war, Trade Partnerships, Domestic Consumption, Indian exports, strategic alliances, sustainable growth, global economy, foreign policy

Punitive tariffs and increased uncertainty have hurt Indian exports. India has diversified its trading partnerships and pursued strategic changes in response to the current trade scenario. The current situation calls for a middle ground between strengthening internal capacities and adjusting to changing geopolitical forces and trade relations, especially with the United States. It examines the impact on Indian economic trajectory of the protectionist policies implemented by the U.S President administration in an effort to lower the trade imbalance and defend home industry. The study sheds light on more far-reaching monetary effects, such as changes to trade patterns, alterations to FDI, and Indian strategic reactions to a changing global trade environment. Regardless few major obstacles, India reacted by looking into new market prospects and expanding its trade partnerships. Worries about growing trade tensions, especially between the US and China, and mounting risks to financial stability have led the International Monetary Fund (IMF) to reduce its global GDP prediction for 2025 to 2.8%. U.S. economic growth was revised down by the IMF from 2.7% to 1.8%, while inflation was revised up to 3%. The volume of goods traded between the US and India is substantial. A steady increase has been

observed in Indian total exports to the US, which account for around 18% of Indian total exports. About $87.4 billion worth of goods were exported to the United States in 2024. Analysts anticipate a significant decline due to tariffs - one estimate indicates a $30-33B damage, which is approximately 0.8% to 0.9% of GDP. Although there is a tiny downside risk of approximately 0.2-0.3 percentage points from higher estimates, the Reserve Bank and others continue to predict a GDP growth of 6-6.5% for Indian fiscal year 26.
Even after the price drop, India kept buying oil at a discount from Russia. Even if it's indirect, the United States views this as financially beneficial to Russia. On the grounds of national security, the president of the United States earlier announced a 25% "penalty tariff" on commodities from India. With this additional 25% "reciprocal tariff," the total import charge on many Indian exports to the US has reached 50%. All things considered, it ranks among the highest tariffs ever levied by the United States on a trading partner. After this tariff hike, the current tariff on Indian exports to the US market, including levies levied before to April 2025, will be close to 70%. The new tariffs are anticipated to impede growth in the world's fastest-growing major economy and endanger thousands of small exporters and employment in India. Its overall tariffs on a wide range of products can reach 50%, putting it on level with China and Brazil, and among the highest in the United States. These goods include clothing, jewelry, shoes, sports equipment, furniture, and chemicals.
The effect of US tariffs on Indian economy, society, diplomacy, and foreign policy From an economic, social, international, and foreign affairs perspective, we can examine how

US tariffs have affected Indian exports:

1. **Reduced competitiveness** as a result of US tariffs on Indian goods (such as steel, aluminum, textiles, and pharmaceuticals) causes a drop in exports and a widening trade deficit, which has an economic impact. Key industries such as information technology, automotive parts, and agriculture are seeing a slowdown in demand, which is affecting GDP growth. The "Make in India" program in India could take a hit if higher tariffs deter foreign direct investment (FDI) from the United States and other countries. A weaker rupee due to fewer exports means higher import prices (for oil and other commodities) and inflation.
2. Among the social impacts, one could see a **rise in the unemployment rate** as export-oriented industries like textiles, diamonds, and information technology lay off workers. Affects agricultural exports, which have a negative impact on farmers' incomes, leading to rural distress. Imports may become more expensive for consumers if retaliatory tariffs were imposed on US commodities, such as apples and almonds.
3. India could respond by imposing tariffs on US apples and almonds, as happened in 2019, further intensifying tensions, which could have an international and diplomatic impact in the form of a trade war. Strategic Alignment: Military and technological alliances (such as Indo-Pacific cooperation and the Quad) may be impacted if US-India relations become strained. To compensate for the decline in the US market, India may shift its focus to the European Union, Africa, or ASEAN.
4. The Indian government is considering taking a stand against US protectionism by advocating for more robust World Trade Organization reforms. The **Chinese Influence**: India stands to gain as a potential replacement manufacturing center in the event that US tariffs redirect supply chains away from China. **Russia-Iran Relations**: The United States may further up its pressure on Indian commerce with sanctioned countries (oil, defense).

Indian exports, employment, and GDP growth are all hit hard by US tariffs, which also encourage trade and manufacturing diversification. Finding new markets while preserving US-India strategic ties requires careful diplomatic balancing.

Sectoral Impact

1. **Computing, Networking, and Related Services**

The US has tightened immigration requirements, which has increased expenses for Indian IT giants like TCS, Infosys, and Wipro, due to the H-1B visa. Operating Expenses Go Up: Indian IT firms saw their profit margins go down due to US employment regulations. Conflict over Digital Services Taxes (DST): In response to Indian digital tax, the United States threatened to impose tariffs on Indian software and IT services; however, these levies were temporarily halted as a result of OECD worldwide tax agreements. **Methods for dealing with this effect** include 1. Working remotely and increasing automation can help cut down on the need for US visas. 2. We are diversifying our markets by entering new ones in the Middle East, Japan, and the European Union.

2. When it comes to **textiles and apparel**, India has a significant cost advantage over the United States and is hence one of the top suppliers to the country. Particularly at risk is Indian textile and clothing industry. In 2024, the United States received almost $22.0 billion worth of Indian garments and jewels. **A possible response to this effect could be** the following: 1. The PLI Scheme for Man-Made Fibers, which aims to increase the export of high-value textiles. The second point is recouping US market losses through free trade agreements with the EU and the UK.

3. Jewels and Gems: India ships a tonne of gold jewelry, polished diamonds, and other precious stones to the United States. "Will inflate cost and place immense pressure on every part of the value chain," says the Gem & Jewellery Export Council in reference to a universal 25% tariff. Prices for these labor-intensive goods would spike at the first sign of a 25% tariff imposed by the United States. Many in the industry are concerned that American consumers may start placing orders with overseas vendors that offer lower prices.

4. Shrimp (Marine Exports): The United States is the largest consumer for shrimp, and India is the leading exporter of shrimp globally. A lot of people buy Indian frozen shrimp since it's cheap and always available.

5. India is a major exporter of **leather goods** to the United States, including footwear, belts, purses, and coats. A large number of small exporters make this industry labor-intensive. Indian leather industry, which relies heavily on human labor and generates $4.1 billion in exports, has been severely impacted by the 25% tax that the US president has decided to put on Indian imports. Government data shows India exported nearly $4.1 billion worth of leather and leather products between April 2024 and February 2025, with the US accounting for $870 million. About 20% of Indian total leather exports go to the American market.

6. Pharmaceuticals and Chemicals: India exports specialty chemicals, dyes, and pharma intermediates to the US. The sector is fast-growing and essential for global supply chains. If US imposes tariffs on Indian generics (e.g., paracetamol, antibiotics), Indian pharma exports ($7.5B to US) could decline. FDA Scrutiny: Non-tariff barriers (stricter FDA inspections) also act as indirect trade restrictions. Strategies to handle this impact can be: 1. PLI Scheme for APIs: Govt incentives to reduce China dependence. 2. Focus on Biosimilars & Complex Generics: Higher-value products face less pricing pressure.

7. Steel and Aluminum:

85% of Indian steel exports to the U.S. are expected to disappear with full tariffs.

8. Agriculture & Food Exports

Strategies to handle this impact can be: 1. Diversification to EU, Middle East: Boosting exports to non-US markets. 2. Organic & Processed Food Push: Higher-margin products to offset losses.

9. Automobiles & Auto Components

Strategies to handle this impact can be: 1. Localizing EV Components: Tata, Mahindra investing in battery plants. 2. Focus on EU & Emerging Markets: Compensating for US market losses.

Indian Exports to the U.S. Before vs. After Tariffs

The overall trajectory of Indian exports to the U.S. has continued to grow significantly. This growth is attributed to three main factors:

1. Strong bilateral trade relationship: The U.S. is Indian largest trading partner and a key export destination.
2. Diversified export basket: Indian exports are not concentrated in the heavily tariffed sectors. Strong performance in services, pharmaceuticals, gems, and jewelry offset losses in metals.
3. Trade Diversion: The U.S.-China trade war created opportunities for Indian exporters in some sectors (e.g., chemicals, machinery) to fill the gap left by Chinese goods facing even higher tariffs.

Positive Impact of US Tariffs on Indian Trade and Economy

While the imposition of US tariffs is generally seen as a protectionist measure that can disrupt global trade, it's important to analyze the multifaceted impacts. For India, the US tariffs, particularly those initiated during the US President administration under Section 232 (steel and aluminum) and Section 301 (various goods), have had a mix of negative and surprisingly positive consequences. Indian Government has started making strategic moves to overcome this situation.

Here is a detailed breakdown of the **potential positive impacts** of US tariffs on Indian trade and economy.

1). Diversification of Export Markets ("Look West" and Other Pivots)

The primary positive has been a forced but beneficial push for India to reduce its over-reliance on the US market and aggressively diversify its export destinations.

- **Reduced Dependency:** The threat of losing a major market compelled Indian exporters to seek new buyers in Europe, Africa, Latin America, and other Asian countries. This makes Indian export economy more resilient to future shocks from any single country.
- **Trade Agreements:** This urgency accelerated the pace of Indian trade diplomacy. India began actively pursuing and finalizing trade deals with other partners, such as the UAE, Australia, and the UK, and is re-engaging with the EU. These agreements promise more stable and long-term benefits.

2). Boosting Domestic Manufacturing ("Atmanirbhar Bharat" - Self-Reliant India)

The US tariffs, coupled with global supply chain disruptions (like during COVID-19), acted as a catalyst for the Indian government's Atmanirbhar Bharat (Self-Reliant India) initiative.

- **Import Substitution**: Tariffs on certain Chinese goods by the US created an opportunity for Indian manufacturers to fill the gap. Sectors like chemicals, textiles, auto components, and electronics saw increased interest from US buyers looking for alternatives to China.

- **Foreign Direct Investment (FDI)**: To avoid US tariffs, some multinational companies adopted a "China+1" strategy, seeking alternative manufacturing bases. India, with its large domestic market and skilled labor, became a prime candidate. This has led to increased FDI inflows into manufacturing, boosting local production, jobs, and technological transfer.

3). Negotiating Leverage for a Bilateral Trade Deal

The disruption caused by tariffs brought India and the US back to the negotiating table with a clearer understanding of each other's priorities.

- **Leveling the Playing Field:** Prior to the tariffs, longstanding Indian market access issues (e.g., price caps on medical devices, dairy trade barriers) were sticking points. The tariff threat forced a more serious dialogue to address these issues in exchange for the restoration of Generalized System of Preferences (GSP) benefits or tariff reductions.
- **Strategic Partnership:** The negotiations highlighted that the trade relationship is part of a larger strategic partnership (e.g., the Quad). This broader context incentivized both sides to find a mutually acceptable solution, moving beyond a narrow goods-for-goods exchange.

4). Strengthening Specific Sectors

Certain Indian sectors actually benefited directly from the US's global tariff policies, especially those targeting China.

- **Steel and Aluminum:** While Indian metals were hit by Section 232 tariffs, the global tariffs meant that US demand still needed to be met. In some cases, Indian producers could still compete, especially if they were more efficient than other tariff-affected countries.
- **Textiles and Apparel:** As US buyers looked to shift sourcing away from China, countries like Bangladesh and Vietnam faced capacity constraints. This presented a significant opportunity for Indian large textile industry to increase its market share in the US. Besides this Indian Government has marked 50 such countries (other than U.S) where in total 590 Billion dollars of textile are imported from different sources. Here India is looking forward to increase its share in textile export, which is currently very less i.e just 5% to 6%.
- Specialty Chemicals and Pharmaceuticals: These are high-value sectors where India has a strong base. The need for reliable, non-Chinese supply chains made Indian companies attractive partners for US firms.

5). Improving Competitiveness and Quality

Facing stricter competition and the need to meet the standards of other developed markets, Indian industries were pushed to enhance their product quality and operational efficiency.

- **Meeting International Standards:** To export to the EU or Japan, Indian products often have to meet different, sometimes stricter, regulatory and quality standards. This forced upgrading benefits the entire sector, making it more globally competitive in the long run. Important Nuances and Counterpoints It is crucial to understand that these positive impacts are potential silver linings and not the whole story. The negatives are significant:
- **Direct Loss of Exports:** Sectors directly hit by tariffs (e.g., metals, some engineering goods) faced immediate revenue loss and reduced competitiveness.
- **GSP Withdrawal:** The US's termination of Indian GSP beneficiary status in 2019 (separate from but related to tariff talks) made over $6 billion of Indian exports more expensive in the US market.
- **Global Trade Uncertainty:** Tariffs contribute to broader uncertainty, which can dampen investment and growth globally, indirectly affecting India.

- **Inflationary Pressures:** If tariffs make key imported inputs from the US more expensive, they can increase production costs for Indian manufacturers.

The positive impact of US tariffs on the Indian economy is not direct but indirect and strategic. It acted as a catalyst for much-needed structural changes:

1. Forcing diversification of export markets.
2. Accelerating the push for domestic manufacturing and attracting FDI.
3. Creating a sharper focus on negotiating a more balanced trade relationship with the US.
4. Opening opportunistic windows in specific sectors due to shifting global supply chains. Ultimately, the net effect depends on how well Indian policymakers and businesses capitalized on these disruptive opportunities. The challenges were real, but the response has the potential to forge a more resilient, diversified, and competitive Indian economy in the long term.

Positive Outcome Explanation

A global credit rating agency stated, "India has never experienced distress due to its robust fundamentals," while elevating Indian sovereign credit rating to BBB. This positions India among the top-rated emerging economies, a favorable development amid the United States' extraordinary decision to significantly raise taxes on Indian imports, resulting in some of the highest rates in recent history. Investor sentiment is currently experiencing strain. Foreign portfolio investors have retracted USD 2 billion from Indian equities in August to date, subsequent to outflows of USD 2 billion in July 2025. Foreign direct investment is exhibiting a downward trend, but with some recent resurgence. In the absence of strong policy measures, this may initiate a detrimental cycle of diminished exports, sluggish growth, and erratic capital flows.

To transform this issue into an opportunity, the government may contemplate the following measures.

Substantial geographical diversification of our exports

Indian aim to diminish reliance on a singular export market, especially the United States, should prioritize strategic diversification in trade policy. This entails negotiating improved trade agreements with emerging economies and providing targeted assistance to Indian exporters. Africa and West Asia warrant primary attention in this outreach because to their increasing need for essential Indian products and services. India can establish mutually beneficial partnerships by concentrating on various sectors, including agriculture and agro-products, where advanced seed technologies can bolster food security; pharmaceuticals, where cost-effective medicines and scalable healthcare solutions can access underserved markets; the automobile sector, where competitively priced models can satisfy the increasing demand for personal and commercial transport; and renewable energy, where Indian established solar PV systems and energy efficiency solutions can discover receptive markets. This focused engagement will create new avenues for growth and protect India against concentrated external threats. The Indian government is actively seeking a new generation of trade agreements that are more comprehensive, extend beyond just goods, and align strategically with its objectives of becoming a global manufacturing and services center.

Recently Finalized and Executed Agreements

The Indian government is pushing a 'Swadeshi' mantra to reduce the economy's reliance on exports, with Prime Minister calling on Indians to be "vocal for local"

Policy Recommendations for India to Counter US Tariffs & Boost Trade Resilience

To mitigate the economic, social, and geopolitical impacts of US tariffs, India should adopt a **multi-pronged strategy** focusing on **trade diversification, domestic competitiveness, and strategic diplomacy**.

A. Trade & Export Diversification

A. Strengthen Non-US Markets

- **Fast-Track FTAs with EU, UK, Australia, GCC**:
  - The **India-EU FTA** (under negotiation) could offset US tariff losses in autos, textiles, and pharmaceuticals.
  - The **India-UK FTA** should prioritize services (IT, healthcare) and whisky/textile reciprocity.
- **Expand African & Latin American Footprint**:
  - Leverage **Duty-Free Tariff Preference (DFTP) for Africa** to push pharmaceuticals, automobiles, and agro-exports.
  - Target Brazil, Mexico for auto parts, generic drugs.

B. Reduce Dependency on China for Critical Inputs

- **Scale up PLI (Production-Linked Incentive) schemes** for:
  - **APIs (Active Pharmaceutical Ingredients)** – Reduce 70% Chinese import dependence.
  - **Electronics & Semiconductors** – Attract global firms (e.g., Foxconn, Micron) to avoid US-China trade war spillovers.
  - **EV Batteries & Rare Earths** – Secure lithium/cobalt supplies from Australia, Argentina.

B. Domestic Manufacturing & Competitiveness

A. Boost "Make in India 2.0" with Smart Subsidies

- **Focus on high-value sectors**:
  - **Semiconductors** (Tata's $10B chip plant)
  - **Defense & Aerospace** (HAL, DRDO collaborations with US/EU firms)
  - **Green Energy** (solar panels, hydrogen) to align with US climate goals.
- **Reform Labor & Land Laws**: Faster approvals for export-oriented manufacturing clusters.

B. Counter US Tariffs with Strategic Subsidies

- **Expand RoDTEP (Remission of Duties and Taxes on Exported Products)**: Refund state taxes to exporters hit by US tariffs.
- **Create an "Export Resilience Fund"**: Support SMEs in IT, textiles, and agriculture to explore new markets.

C. Diplomatic & Geopolitical Strategies

A. Leverage the Quad & Indo-Pacific Partnerships

- **Push for "China+1" Supply Chains**: Position India as a reliable alternative in tech, pharma, and defense for US allies (Japan, Australia).
- **Joint R&D with US on Critical Tech**: AI, quantum computing, and space tech to reduce trade friction.

B. WTO & Multilateral Engagement

- **Challenge US Tariffs at WTO**: File disputes against discriminatory steel/aluminum duties.

- **Lead Developing Nations Coalition**: Push for reforms in global trade rules to curb unilateral tariffs.

C. Manage US Relations Pragmatically

- **Avoid Escalation**: Retaliatory tariffs should be calibrated (e.g., spare US medical devices, defense tech).
- **Lobby for GSP Restoration**: Engage US Congress to reinstate Generalized System of Preferences benefits.

D. Social & Employment Safeguards

- **Skill Development for Displaced Workers**:
  - **Textile/Agriculture → Green Jobs**: Train farmers in solar energy, textile workers in technical textiles.
- **Urban Employment Guarantee**: Expand MGNREGA-like schemes for manufacturing hubs hit by export slowdowns.

A Balanced Approach

Short-Term	**Medium-Term**	**Long-Term**
- Retaliate selectively (e.g., luxury US goods) - Speed up EU/UK FTAs	- Scale up PLI in APIs, chips, EVs - Diversify to Africa/LatAm	- Become global manufacturing hub - Lead Global South trade alliances

US tariffs are a challenge but also an opportunity for India to **reduce China dependence, upgrade manufacturing, and deepen ties with EU/Global South**. A mix of **industrial policy, trade deals, and smart diplomacy** will determine Indian resilience.

Principal Motivators and Strategic Objectives of the Indian Government

1. "China-Plus-One" Strategy: Global corporations are seeking to broaden their supply chains beyond China. India is establishing itself as a credible alternative manufacturing powerhouse, and these FTAs enhance the competitiveness of Indian exports.
2. Enhancing Exports and Economic Expansion: The principal objective is to create new markets for Indian commodities and services, particularly in labor-intensive industries such as textiles, agriculture, and leather.
3. Integration into Global Value Chains: By securing preferential access to critical markets, India seeks to become a fundamental component of global supply networks.
4. Attracting Investment: The EFTA agreement exemplifies the utilization of trade policy to obtain foreign direct investment (FDI) for employment generation and industrial expansion.
5. Strategic Geopolitical Alignment: Agreements with the UAE, Australia, and the EU focus on enhancing strategic and diplomatic relations in a multipolar world.

The Indian Government is operating in mission mode to make critical decisions within the next one hundred days to address this crisis. This will encompass the subsequent domains for the mission of "Ease of Living and Ease of Doing Business."

(A). Market Diversification - Formulating more favorable terms and conditions with China, Russia, and other nations to enhance trade in the FMCG and Renewable Energy sectors. The Indian Government is endeavoring to augment export percentages in the Chinese market.

The Indian government is diligently striving to enhance trade conditions with China, especially in the FMCG and renewable energy sectors, with the objective of augmenting Indian exports to the Chinese market. This entails mitigating current trade impediments and optimizing export procedures. Both parties consented to resume border trade via the three specified trading points: Lipulekh Pass, Shipki La Pass, and Nathu La Pass.

On August 20, 2025, India and the Eurasian Economic Union (EAEU), which includes Russia, Armenia, Belarus, Kazakhstan, and the Kyrgyz Republic, signed the Terms of Reference (ToR) to initiate discussions for a Free Trade Agreement (FTA), as stated by the Indian government.

India and Russia pledge to enhance commercial relations, disregarding the tariff threats posed by the US President on oil. The two nations reiterated their intentions to enhance bilateral commerce, particularly by augmenting Indian exports to Russia.

Other initiatives involve dispatching Indian professionals with expertise in IT, construction, and engineering to Russia to mitigate labor shortages.

An analyst stated that the U.S. tariff threats may serve as a trigger for India to strengthen its relations with Russia.

India recently finalized a substantial trade accord, the UK-India Free Trade Agreement (FTA), announced in May 2025 and executed in July 2025, which represents the nation's most recent extensive agreement and seeks to diminish commercial impediments. On July 24, 2025, India executed a Comprehensive Economic and Trade Agreement (CETA) with the United Kingdom. This accord, designed to enhance economic relations, comprises stipulations allowing duty-free entry for almost 99% of Indian exports to the UK. Furthermore, India has executed a Trade and Economic Partnership Agreement (TEPA) with the European Free Trade Association (EFTA). The accord is anticipated to advantage Indian agriculturists, the Micro, Small, and Medium Enterprises (MSME) sector, and exporters of commodities such as footwear, jewelry, seafood, and engineering products. The CETA is expected to enhance trade volumes, generate employment, and strengthen economic relations between India and the UK.

(B). E-Commerce Export Hub will commence operations in India. These hubs are specialized facilities intended to enhance and expedite the export of items sold via e-commerce platforms. Indian inaugural e-commerce export hub is scheduled to commence operations by March 2025, featuring a pilot launch with five enterprises. These centers seek to optimize the export process, especially for small and medium-sized enterprises, by providing in-house customs clearance, streamlined return protocols, and other critical services. This program is integral to Indian comprehensive goal to enhance e-commerce exports, anticipated to attain $100 billion by 2030.

(C). The Indian Government has resolved to develop strategies to enhance the **leather industry**. The Indian government is diligently enacting laws and initiatives to enhance the leather industry, targeting a revenue of $47 billion by 2030. Principal activities encompass the Indian Footwear and Leather Development Programme (IFLDP), which emphasizes infrastructure enhancement, production augmentation, investor attraction, and employment generation. These initiatives aim to position India as a global center for leather products.

(D). The Government of India aims to promote startups through reduced taxation. In the 2025 Union Budget, the Finance Minister has implemented a range of tax adjustments designed to further support this expanding sector. The new tax framework for startups provides various incentives aimed at assisting nascent firms, alleviating their tax obligations, and fostering long-term viability.

(E). The Indian Government aims to **promote the Tobacco and Pharmaceuticals sectors in India**. Enhancing the online portal registration and processing of industrial processes via user-friendly online platforms.
(F). The Ministry of Finance has come up with **new GST regimes** in Indiarecenly. The primary objective of the Indian Government is to enhance the consumption of domestic products within the nation.

Recommendations
1. Revamping transport infrastructure to reduce logistical expenses and stimulate industry expansion. Government data indicates that each rupee invested in infrastructure generates between ₹2.5 and ₹3.5 in GDP, highlighting the sector's significant influence on productivity, capacity enhancement, and employment generation. Minimizing production expenses is crucial for enhancing the competitiveness of Indian products. Furthermore, Indian logistics costs have lately been assessed as 8 to 9% of GDP, with potential for alignment with best-in-class counterparts.
2. Enhance foreign exchange through premier tourism infrastructure. The tourism and hospitality industries provide a significant safeguard against external challenges.
3. Capital influx from overseas portfolio investors propelling forex spike. To augment foreign exchange inflows from portfolio investors, India must provide regulatory clarity and policy consistency while optimizing digital onboarding for international investors. Implementing a settlement cycle that enhances market liquidity, standardizes tax treatment across asset classes, raises investment limits, and provides novel instruments can further bolster participation.
4. Agricultural reform for enhancing global competitiveness Amending agriculture legislation is essential for bolstering global competitiveness and facilitating commercial operations within the sector. Agriculture accounts for approximately fifteen percent of GDP and employs nearly half the workforce; thus, implementing a central rule to ensure unrestricted inter-state trade would abolish arbitrary movement limitations. Incentives for diversifying crops into pulses, oilseeds, and other high-value commodities may enhance farmer incomes and resilience. Enhancing Agricultural Produce Market Committees (APMCs) via public-private partnerships to offer on-site cleaning, grading, and cold-storage facilities will elevate quality and diminish post-harvest losses. Additionally, establishing agro-processing zones and fostering robust rural-market connections will facilitate the integration of producers into national and international value chains.
5. Land and labor reforms to shape Indian manufacturing future Amending property legislation to facilitate purchase, ensure unambiguous title transfers, and consolidate scattered parcels can substantially reduce obstacles to establishing factories. India might expedite project timelines, diminish financing expenses, and enhance investor trust by establishing dedicated land banks and implementing expedited dispute settlement systems. Enhanced land-use flexibility and open pricing would elevate Indian ease-of-doing-business rankings, rendering the nation more appealing to global firms.
6. The revitalization of the mining sector should be included in this approach: Mining presently accounts for 2–2.5 percent of GDP, it constitutes about eleven percent of industrial GDP and provides employment for millions. Reforms including the relaxation of exploration regulations via the MMDR Amendment Bill 2025, the establishment of a State Mining Index for the dissemination of best practices, and the implementation of a policy for the recovery of vital minerals from mining tailings will be essential. Supplementary steps may encompass a "Explore in India" initiative to expedite the transition

from exploration to mining, broader implementation of technologies such as drones, artificial intelligence, and geographic information systems for surveying, and the establishment of specialized mining corridors to save expenses.

7. Streamlining taxation to enhance company efficiency and international competitiveness Consolidating GST into fewer tiers and incorporating sectors such as petroleum under a uniform framework will alleviate compliance difficulties, eradicate cascading tax impacts, and facilitate more efficient interstate commerce. The recently sanctioned Income Tax Bill 2025, which supersedes the antiquated 1961 Act, is a significant reform intended to simplify the tax code, diminish compliance obstacles for people and corporations, and modernize direct tax processes. Collectively, these measures will improve policy predictability, reduce transaction costs, and render India a more appealing locale for business.

8. Disposing of high-quality, premium state assets to entice global investment Privatizing or partially divesting holdings in prominent public-sector companies can yield dual advantages by attracting substantial foreign exchange inflows from international investors and enhancing the operational efficiency of these enterprises.

9. Utilizing remittances to counterbalance export-induced foreign exchange deficits In FY2024–25, remittances from the Indian diaspora attained a historic high of roughly USD 136 billion. These inflows currently represent over ten percent of Indian gross current account inflows and address nearly forty-seven percent of the merchandise trade imbalance. A consistent rise in remittances can serve as a buffer for Indian foreign exchange reserves, mitigating outflows from trade deficits or tariff-induced export losses, and stabilizing the currency against external shocks.

10. Propel FX growth by enhancing strategic global capacity centers and expanding BPO hubs. Indian Global Capability Centres and BPOs serve as significant catalysts for global investment and foreign exchange inflow. By 2025, India will have over 1,700 Global Capability Centers (GCCs), representing over half of the worldwide total. This figure is anticipated to increase to between 2,100 and 2,200 by 2030, yielding revenues of USD 99 billion to USD 105 billion and employing between 2.5 to 2.8 million people. These centers have transformed from cost-arbitrage units into innovation hubs for AI, R&D, and global strategic operations, becoming India an appealing location for multinational firms.

To ascend, excel, and ensure its future in a progressively competitive global environment, India must transform this hardship into an opportunity by enacting audacious and pragmatic reforms, revitalizing stalled initiatives, and bolstering domestic demand. By modernizing policymaking, the nation may transform these tariff issues into a significant and advantageous opportunity.

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