



US tariffs

What it means for India's textile and apparel sector



The impact of the US tariffs on India's textile & apparel sector

Applicable tariffs

Apparel and textile products to attract an additional tariff of 10 percent vide Executive Order dated 2 April 2025.
The baseline tariff of 10 percent is applicable from 5 April 2025, and a country-specific tariff of 26 percent for India is likely to take effect from 9 July 2025.

US reciprocal tariffs

The recent US reciprocal tariffs on Indian textile and apparel exports have created a multitude of challenges and opportunities for the industry. The **26 percent reciprocal tariff to be imposed by the US** on exports has raised concerns about price competitiveness and export volumes, but it also presents a chance for India to gain ground against competitors, such as **Vietnam (46 percent), Bangladesh (37 percent), Sri Lanka (44 percent) and China (125 percent).**



India's trade with the US

The US is a key market for India's apparel and textile products. India had exported apparel and textile products worth ~US\$10.5 billion to the US in 2024. The new tariffs may have a significant impact on the export of apparel and textile products to the US.

Opportunity in adversity: While India faces additional tariffs in the US, it may have a comparative advantage vis-à-vis its Asian neighbours, as they will face higher reciprocal tariffs – China (125 percent), Bangladesh (37 percent), Sri Lanka (44 percent), Vietnam (46 percent) and Indonesia (32 percent).

Key points to be noted

- These tariffs are in addition to existing tariffs.
- Determining the value on which additional tariffs will be levied is critical.
- The possibility to avail duty drawback needs to be considered.

What should Indian exporters do?

1. Determine the applicability of the relevant Executive Order for the goods exported.
2. Conduct a tariff impact assessment for thorough understanding of the supply chain, trade flows and contractual obligations.
3. Make necessary adjustments in the supply chain (including pricing policies), change of trade lanes and optimise procurement strategies.
4. Explore the concept of first sale for export to minimise the tariff impact.
5. Push for inclusion of apparel and textiles under the Bilateral Trade Agreement between India and the US
6. Determine the component of US originating goods embedded in the value of exported goods (e.g., US raw materials, design cost, US sampling cost and US R&D cost).
7. Establish internal responsibilities for monitoring trade development to enhance organisational readiness.