STUDY NOTES · BASIC CONCEPT

What would be the impact of USA's 25% tariff on India for trade with Iran?

International Relations

26 Jan 2014

The Government of India has assessed that the 25% tariffs imposed by US President Donald Trump on countries trading with Iran (announced January 13, 2026) will have minimal impact on India. This view comes from official sources and exporters, citing India's already limited bilateral trade with Iran amid years of US sanctions.

Key Reasons for Minimal Impact

1. Low Trade Volume: India's total trade with Iran was ~$1.6–1.7 billion in FY 2024–25 (about 0.15% of India's overall trade). Iran does not rank among India's top 50 trading partners.
2. Humanitarian Focus: Most Indian exports to Iran (e.g., rice, tea, sugar, pharmaceuticals) are humanitarian goods compliant with US sanctions (OFAC norms). These are unlikely to face direct penalties.
3. Diversified Linkages: India has already reduced exposure due to prior sanctions (no Iranian oil imports since 2019). Trade is routed via intermediaries like UAE to mitigate risks.
4. Comparison to Others: Iran's major partners (UAE: 30%, China: 26%, Turkey: 16%) face higher exposure. India’s share in Iran's imports is only ~2–3%.

Potential Concerns

1. Basmati Rice Sector: Iran is a key market (India supplies ~13% of its basmati exports). Some exporters report reluctance in new contracts, but overall impact is seen as limited and short-term.
2. Existing US Tariffs: India already faces 50% tariffs on many exports (due to Russian oil purchases). The new 25% could theoretically add up to 75% cumulatively, but sources emphasize it won't materially affect India due to low volumes.
3. Strategic Ties: Projects like Chabahar Port (India's gateway to Afghanistan/Central Asia) remain unaffected for now, with existing US waivers.

BECOME IAS
AI-Powered UPSC Preparation by ZINKPOT