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The Economic Implications for India of U.S. Tariffs and Restrictions

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Abstract

This paper examines the economic impact on India resulting from an increasing set of U.S. trade measures viz higher tariffs, ad-valorem, safeguard, anti-dumping/countervailing duties, sectoral surcharges and related restrictions including tightening of work/travel visas (e.g., H-1B/L). The paper is compiled on the basis of data in contemporary news reports, policy analyses and academic briefs, the study maps channels through which these measures affect Indian exports, domestic sectors like steel, aluminium, textiles, solar, pharma. The paper concludes with the fact that the impact of the trade restrictions and tax impositions by U,S differs from sector to sector as it opens doors of opportunities for few sectors and has adversely affected some sectors like steel, IT.

Keywords: GSP, tariff, H-1B, sectors, trade barriers

Introduction & Background

Since 2018, the United States has undertaken a significant recalibration of its trade and immigration policies, affecting multiple trading partners, including India. The new policy orientation has been characterised by tariff escalations on selected imports, heightened reliance on trade-remedy instruments such as anti-dumping and countervailing duties, and the withdrawal of India's preferential status under the Generalized System of Preferences (GSP) programme in 2019. These developments have altered the terms of market access for Indian exporters and reshaped the dynamics of bilateral trade.

In parallel, immigration policies—particularly those governing temporary skilled worker visas such as the H-1B—have been subjected to tighter administrative scrutiny, fee increases, and procedural hurdles. These measures carry implications for India's globally competitive information technology (IT) and service sectors, which depend heavily on cross-border labour mobility.

The convergence of these trade and immigration measures exerts multifaceted impacts on the Indian economy. Tariff increases and GSP withdrawal erode India's export competitiveness in the U.S. market, particularly for labour-intensive sectors. The frequent use of anti-dumping and countervailing duties has introduced compliance burdens and uncertainty for Indian firms, discouraging investment in export-oriented production. Moreover, restrictions in visa issuance affect the ability of Indian firms to deploy skilled labour in the U.S., compelling shifts toward offshore delivery models and influencing patterns of employment and wages.

Against this backdrop, examining the evolving U.S. trade and immigration policy framework since 2018 is essential to understand its ramifications for Indian exports, domestic industries, employment, and investment. Such an analysis provides critical insights into the challenges posed by policy uncertainty while highlighting opportunities for adaptation through supply-chain reconfiguration, product diversification, and diplomatic engagement.

Objectives

1. To identify key U.S. trade restrictions currently affecting India, including tariffs, non-tariff barriers, and regulatory measures.
2. To explain the channels through which these restrictions impact Indian exports, employment, and economic growth.
3. To review empirical and sector-specific evidence highlighting the effects of U.S. trade barriers on various industries in India.

Literature Review

Scholarly and policy discussions on the impact of recent U.S. trade and immigration measures on India have largely centred on the withdrawal of the Generalized System of Preferences (GSP), the intensification of anti-dumping and countervailing duties, and the tightening of H-1B visa regulations. Several strands of literature provide empirical and sectoral insights into these issues.

Heitzig and Saha (2025), in an IDS Working Paper, analyse the labour market effects of India's termination from the U.S. GSP. Using a quasi-experimental triple difference-in-differences design, the authors show that Indian exports of GSP-eligible products fell by around 2% on average in 2019, with transportation manufacturing witnessing a decline of over 20%. Importantly, they extend the analysis to employment outcomes, demonstrating that large firms adjusted by restructuring occupational profiles, often privileging skilled and professional workers over casual or day labourers. Their findings highlight the distributional consequences of trade policy shocks, particularly for vulnerable groups of workers.

Complementary work has been undertaken by Mukhopadhyay and Sarma (2020) in an Observer Research Foundation research paper, which evaluates sectoral impacts of GSP withdrawal. Drawing on HS-level trade data, they show that the extent of adverse effects varies significantly across product categories. While certain labour-intensive exports such as textiles and leather were negatively affected, others experienced limited disruption due to alternative market opportunities or competitive advantages. This heterogeneity underscores the need for sector-specific strategies rather than a one-size-fits-all approach to mitigating tariff shocks.

Similarly, Chauhan (2020), writing for the ORF, provides a descriptive analysis of India's top nine export sectors to the U.S. in the aftermath of GSP withdrawal. The study concludes that six of these sectors experienced negligible impacts, while sectors such as electrical machinery showed resilience and even growth. Chauhan argues that the actual impact of GSP removal was far more nuanced than initially anticipated, suggesting that broader macroeconomic and supply-chain dynamics mediate the effects of tariff changes.

While GSP withdrawal has attracted substantial scholarly attention, U.S. trade-remedy measures such as anti-dumping and countervailing duties have been studied mostly in sectoral contexts. Ancy and Raju (2014), for instance, examine the case of U.S. anti-dumping duties on Indian shrimp exports, finding that such measures significantly curtailed export volumes, imposed steep compliance costs, and led to diversion of trade toward competing suppliers. Though focused on an earlier period, their findings remain relevant for understanding how contemporary AD/CVD actions in sectors such as steel, ceramics, and solar products disrupt export performance and firm cash flows. Aggarwal's (ICRIER) broader review of anti-dumping law and practice in India also provides valuable comparative insights, noting that such instruments are often deployed with protectionist intent and without adequate consideration of wider welfare impacts.

In addition to trade policy, a parallel strand of literature has explored U.S. immigration restrictions and their impact on India's IT and services industry. Industry analyses by Moody's and coverage in The Times of India and Mint highlight that Indian IT giants such as TCS and Infosys remain particularly exposed to H-1B visa policy changes. Tighter visa scrutiny, increased fees, and procedural delays have raised operating costs and limited labour mobility, prompting firms to adjust business models by expanding onshore hiring in the U.S. and increasing offshore delivery from India. Over time, Indian IT companies have reduced their reliance on H-1B visas, though the adjustments involve higher costs and altered employment structures.

Taken together, the literature indicates that U.S. policy shifts since 2018 have exerted uneven but discernible impacts on India's trade and employment. GSP withdrawal led to modest aggregate trade losses but more pronounced sectoral and worker-level effects; AD/CVD measures produced concentrated disruptions in specific industries; and immigration restrictions reshaped labour deployment strategies in the IT sector. However, gaps remain in terms of long-term empirical evaluation of AD/CVD measures post-2018, as well as rigorous econometric studies quantifying the broader macroeconomic implications of U.S. immigration policies for India's services exports and investment.

Discussion:

Policy measures (2018–present): an Overview

Tariff actions and tariff uncertainty. Beginning with tariffs on steel and aluminium and continuing through product-specific measures and tariff threats, the U.S. elevated trade policy uncertainty for many exporters.

GSP withdrawal (2019). The U.S. formally announced its intention and proceeded to terminate India's beneficiary status under the GSP programme (notification March 4, 2019; benefits withdrew in June 2019), removing duty-free access for many tariff lines previously enjoyed by Indian exporters. Increased use of anti-dumping and countervailing duties (AD/CVD). The U.S. has continued to initiate and sustain AD/CVD investigations and measures affecting Indian goods—spanning sectors such as steel, ceramic tiles and solar components—raising compliance costs and the prospect of higher duties or cash deposits. WTO and U.S. Department of Commerce records document these measures. Immigration rule and administration changes. Procedural and fee changes to H-1B and related programmes, plus stricter adjudication at consulates and work-site scrutiny, have influenced Indian skilled labour mobility and multinational deployment strategies. Academic and policy briefs find meaningful effects on deployment and offshore delivery models.

Transmission channels from policy to economic outcomes

The principal mechanisms by which U.S. trade and immigration measures affect India are:

Higher or reintroduced MFN tariffs increase effective prices of Indian exports to the U.S., reducing competitiveness vis-à-vis third-country suppliers or encouraging diversion to other markets. Removal of preferential margins (GSP) raises costs for marginal products.

Investigations and provisional measures create uncertainty, require additional documentation, and may trigger interim cash deposits—disrupting cash flow and export planning for affected firms and raising entry costs for U.S. markets.

U.S. protection measures against particular source countries (e.g., China) can create opportunities for Indian firms to capture displaced orders, but also invite scrutiny (e.g., allegations of circumvention) that can prompt anti-circumvention probes.

Tighter visa administration, fee increases, and longer processing times raise the cost and reduce the flexibility of placing Indian skilled workers in the U.S., inducing Indian firms to shift to offshore delivery models or to substitute capital for labour.

Policy uncertainty and increased trade friction can reduce the expected returns to U.S-oriented investments (both foreign direct investment into India and Indian firms' U.S. investments) and may redirect FDI to third countries perceived as lower-risk.

Sectoral impacts

Government data indicate that a non-trivial subdivision of India's tariff lines previously benefitted from, formally increasing duties and squeezing margins on marginal product categories. The Government of India and independent analysis estimated foregone concessions in the order of several hundred million USD annually at the time of withdrawal.

Sectors such as certain steel products, ceramic tiles and solar components have experienced direct trade-remedy actions that limit exports or require anti-circumvention defences and higher working capital to post deposits. These measures create concentrated downside risk for exporting firms.

Export contraction in targeted sectors spills over to domestic suppliers (input providers, transport, logistics) and may depress local employment where value chains are geographically concentrated. Conversely, reallocation of global supply chains has sometimes generated new export opportunities for Indian manufacturers (a diversification benefit), though gains are heterogeneous across firms and products.

Stricter visa procedures and cost increases tend to reduce short-term onshore staffing levels of Indian IT firms, encouraging expansion of offshore delivery centres and automation of lower-value tasks altering employment composition.

Heightened trade frictions and immigration constraints incentivise Indian firms to diversify markets, increase local production in third countries, or deepen local presence in the U.S. where scale justifies compliance costs. Multinationals may also reconfigure supply chains to mitigate tariff exposure sometimes benefiting India if it becomes an alternative manufacturing base, but sometimes diverting investment elsewhere depending on relative incentives.

Conclusion

The U.S. has put tariffs, strict quality checks, and rules on some Indian goods like steel, textiles, and farm products. These are the main trade restrictions.

To conclude these barriers by U.S Government make Indian exports costlier or harder to sell, which reduces sales, lowers jobs in export industries, and slows economic growth.

For example, India's textile and IT sectors face losses due to U.S. restrictions, and farmers exporting products like shrimp and spices also suffer from strict standards. U.S. trade and immigration policy shifts since 2018 have introduced both headwinds and redistribution effects for India. Tariff increases, the 2019 GSP withdrawal, and expanded use of AD/CVD measures raise costs and uncertainty for exposed exporters and can depress employment in affected supply chains; at the same time, global reorganisation of supply chains has produced opportunities for Indian manufacturing and services to capture some displaced demand. Immigration policy tightening compels Indian firms especially in IT to accelerate offshore delivery, automation, and skills upgrading. The net outcome varies by sector, firm size and adaptability; consequently, policy responses that combine diplomatic engagement, firm-level compliance support, and domestic capability building will best position India to manage risks and seize opportunities.

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