



Tariffs Explained Simply: India's Policies, Trump's Strategy, and Global Trade

Description

We all are hearing tariff word now everyday since Trump comes into action, lets understand what is tariff ?

A **tariff** is a **tax or duty** that a government charges on goods **imported** from another country. Sometimes, it is also applied to exports, but import tariffs are more common. Like in India we call it custom duty which is imposed when goods import in India.

Examples of tariff on goods import into india from USA

As an example, importing goods such as mobile phones, laptops, motorcycles, and cars from the United States into India can attract steep tariffs calculated on the CIF (Cost, Insurance, and Freight) value. The total effective rate can hover around 35–40% for mobile phones, about 18% for laptops, up to 70–100% or more for motorcycles, and often exceeds 100% for cars.

Why are tariffs used?

1. **Protect domestic industries** – By making foreign products more expensive, local products become more attractive.
2. **Generate government revenue** – Like other taxes, tariffs help raise money.
3. **Punish or pressure other countries** – Tariffs can be used as a political or economic tool.

Simple Example:

Imagine India imports a toy from China worth ₹100. If India applies a **10% tariff**, then the importer has to pay ₹10 extra as tax. So the total cost becomes ₹110.

What is a Reciprocal Tariff?

A **reciprocal tariff** means a **tariff rate that is equal or matching** to what another country is charging on your goods.

What is Trump doing?

Donald Trump, U.S. President often talked about **reciprocal tariffs**. His argument was:

“If India charges 50% tariff on American bikes or goods, then the U.S. should also charge 50% on Indian goods.”

He believed this would make trade **fair and balanced**, and reduce the **U.S. trade deficit** with countries like India and China. Donald Trump, during his presidency and even recently, strongly supported “**America First**”. He said many countries (like China, India, etc.) charge high tariffs on American products, but America charges very low tariffs on theirs.

So, he increased tariffs to make it fair (reciprocal) — to protect American industries.

It's like tit-for-tat:

“You tax my goods? I'll tax your goods equally!”

How is India's 52% Average Tariff Calculated?

You might hear in the news that **India's average tariff is around 52%**. That sounds high, right? Let's break it down.

1. What does “average tariff” mean?

It's the **average tax rate** on all goods imported into India, across various sectors (like agriculture, manufacturing, machinery, electronics, etc.)

2. Components of Tariff:

When we say 52%, it's not just **Basic Customs Duty (BCD)**. It often includes:

- Basic Customs Duty (BCD)
- Integrated GST (IGST)
- Social Welfare Surcharge
- Cess (if any)
- Anti-dumping or Safeguard Duty (in rare cases)

3. Example of 52% Tariff Calculation:

Let's say you're importing a product into India:

Component	Amount (?)
Cost of goods	?100
Basic Customs Duty (20%)	?20
Subtotal	?120
IGST (28%) on ?120	?33.6

Component	Amount (₹)
Social Welfare Surcharge (10% of BCD) ₹2	
Total landed cost	₹155.6

So from ₹100, the cost has gone up to ₹155.6, which means:

- **Effective tariff = 55.6%**
- That's why India's average tariff is said to be around **52%** (as an average across products).

Why is India's Tariff High Compared to Other Countries?

- **To protect domestic producers and small industries.**
- India is still developing, so tariffs help promote local manufacturing.
- Other developed countries (like the USA) often have lower average tariffs (like 2%-5%) but can impose **high specific tariffs** on select goods (like steel, aluminum, etc.)

Trump's argument is that the U.S. should charge the same as India does on American products — this is **reciprocal tariff policy**.

Category

1. Others

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Author

cahiren