
2025 Tariffs and Air Pollution Scenarios

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In a new world order setting after the tariff change regime, nations must rethink their strategies for imports and exports. India now faces a major challenge following the United States' imposition of a steep 50% tariff on Indian exports under Executive Order 14329, signed on August 6, 2025. This move has sent shockwaves through Indian manufacturing sectors, making domestic goods significantly less competitive in international markets.

Key industries such as textiles, jewelry, chemicals, and seafood are particularly vulnerable, with rising costs threatening their global market share and curbing industrial growth.¹ Tariffs also disrupt global supply chains by inflating input costs and causing delays, especially for sectors dependent on imported machinery and raw materials. This not only hampers production efficiency but also stifles expansion.

The resulting uncertainty has created a volatile business climate, deterring foreign investment amid fears of policy instability and market-driven risks. Labor-intensive sectors like garments, leather, and seafood are already feeling the strain, reporting layoffs and idle equipment as demand continues to decline.²

The recent imposition of a 50% tariff by the United States threatens to derail the ambitious "Mission 500" a joint goal by India and the U.S. to more than double bilateral trade to \$500 billion by 2030.³ This steep duty poses serious challenges for key Indian export sectors such as shrimp, organic chemicals, textiles, and high-value goods like diamonds and gold. The impact is especially severe for Micro, Small, and Medium Enterprises (MSMEs), which contribute nearly 45% of India's total exports. With limited financial buffers, these businesses are particularly vulnerable to sudden cost escalations.⁴ The new tariff structure raises the

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total duty on Indian shrimp exports to a staggering 60%, while Ecuador one of India's major competitors faces only a 15% duty, further tilting the playing field.

The slowdown in India's finished steel exports, particularly to the United States, is contributing to a modest reduction in industrial air pollution. Export volumes have declined sharply from 214,000 tonnes worth ₹2,621 crore in 2021–22 to just 95,000 tonnes valued at ₹1,924 crore in 2023–24. On a broader scale, India's total finished steel exports fell from 13.494 million tonnes in 2021–22 to 7.487 million tonnes in 2023–24.⁵ This contraction in outbound shipments has eased production pressures, potentially lowering emissions from steel manufacturing facilities.

Nevertheless, in the face of export challenges, Indian industry is likely to turn toward the domestic market for both production and consumption. With reduced demand from abroad, the use of raw materials will align more closely with internal needs, potentially leading to a decline in industrial emissions. Paradoxically, this shift may serve as a catalyst for strengthening domestic manufacturing a silver lining that aligns perfectly with the goals of the *Make in India* initiative.⁶ This transition could have far-reaching implications for India's industrial landscape, triggering a ripple effect that not only boosts self-reliance but also contributes to cleaner air and a more sustainable production model.

Two possible scenarios emerge in the wake of the ongoing tariff war- i). Industrial Expansion Under Pressure and ii). Decline in Production and Imports from China. India may respond to trade restrictions with aggressive industrial growth, aiming to boost domestic production and reduce reliance on imports through the first scenario. This path aligns with the vision of a self-reliant India, widely supported by the public, who favor in-house manufacturing across sectors. It promises long-term economic stability and job creation, especially for the youth. However, this surge in industrial activity will demand a sharp increase in energy consumption primarily from fossil fuels. Currently, 80% of India's energy needs are met by coal, oil, and solid biomass. With coal consumption already nearing 1 billion tonnes annually, compared to China's 4 billion tonnes, any further expansion could intensify air pollution, trigger health crises, and accelerate environmental degradation. Until India declares a peaking year for emissions, coal usage is expected to rise. The second, less likely scenario involves a reduction in overall production due to falling exports. In this case, India may increasingly rely on Chinese imports to meet domestic demand given China's vast manufacturing capacity and competitive pricing. While this approach could be more environmentally friendly by curbing domestic emissions, it would come at the cost of employment opportunities and underutilization of India's industrial potential. As discussed in my earlier article on Trump Era II, the current tariff war marks the onset of a broader strategy for global influence which will increasingly rely on soft technologies and digital tools in the years ahead.⁹

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