

Reciprocal Tariffs and Indian Agriculture: Implications for Farmers and Agribusiness

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Abstract: The contemporary global trade system has increasingly shifted towards protectionism, with reciprocal tariffs emerging as a dominant policy instrument. Reciprocal tariffs—defined as trade duties imposed in retaliation to tariffs levied by trading partners—have significant implications for agriculture-dependent economies such as India. Agriculture in India is not merely an economic activity but a livelihood base for a substantial proportion of the population. Consequently, changes in global trade regimes directly influence farmer incomes, agribusiness performance, and national food security.

This paper examines the impact of reciprocal tariffs on Indian agriculture with a specific focus on farmers and agribusinesses. Using secondary data sourced from the Food and Agriculture Organization (FAO), World Trade Organization (WTO), Reserve Bank of India (RBI), Ministry of Commerce, and other official publications, the study analyses key agricultural commodities including pulses, cotton, rice, and dairy products. Case-study-based analysis is employed to understand both short-term price effects and long-term structural consequences. The findings indicate that while reciprocal tariffs can temporarily protect domestic producers, they also lead to higher input costs, reduced export competitiveness, and increased income volatility for farmers. The paper argues that India's largely reactive trade policy framework exacerbates these challenges.

The study concludes with policy recommendations emphasizing stable export regimes,

diversification of markets, investment in domestic agricultural research and development, and greater farmer representation in trade negotiations. Such measures are essential for transforming India's agricultural trade strategy from defensive retaliation to strategic integration within global value chains.

Key words: Reciprocal tariffs, Indian agriculture, trade wars, farmers' income, agribusiness, WTO, export–import policy.



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1. Introduction

Global agricultural trade has historically been shaped by comparative advantage and multilateral cooperation under institutions such as the General Agreement on Tariffs and Trade (GATT) and later the World Trade Organization (WTO). However, the post-2010 period has witnessed a gradual erosion of multilateralism, replaced by unilateral and retaliatory trade measures. Reciprocal tariffs have emerged as a prominent feature of this new trade environment, particularly following the United States–China trade war, Brexit, and post-pandemic protectionism (WTO, 2020).

India, as one of the world's largest producers and exporters of agricultural commodities, is deeply embedded in the global trading system. Agricultural exports constitute a significant share of India's foreign exchange earnings, while imports are critical for meeting domestic demand for inputs such as fertilizers and edible oils. At the same time, Indian agriculture is characterized by small and fragmented landholdings, high dependence on monsoons, and limited access to risk-mitigation instruments. These structural features make Indian farmers particularly vulnerable to global trade shocks.

The objective of this paper is threefold. First, it seeks to analyse the concept and evolution of reciprocal tariffs in the global trade context. Second, it examines the specific channels through which reciprocal tariffs affect Indian agriculture, with a focus on farmers' incomes and agribusiness viability. Third, it proposes policy measures to mitigate adverse impacts while leveraging potential opportunities arising from shifts in global trade patterns. By adopting a commodity-specific and data-driven approach, the paper contributes to the growing literature on trade policy and agricultural development in emerging economies.

2. Review of Literature

The literature on tariffs and agricultural trade highlights the dual nature of protectionist policies. Classical trade theory suggests that tariffs distort markets and reduce overall welfare (Krugman, Obstfeld, & Melitz, 2018). However, political economy perspectives argue that tariffs are often employed to protect vulnerable domestic sectors, particularly agriculture (Anderson & Nelgen, 2019).

Empirical studies on reciprocal tariffs indicate that retaliatory trade measures tend to amplify price volatility rather than stabilize markets. The World Bank (2020) finds that trade wars disproportionately affect primary producers, as they face both declining export demand and rising input costs. FAO (2022) emphasizes that smallholder farmers in developing countries bear the brunt of such shocks due to limited access to credit and storage facilities.

Indian scholars have examined the implications of trade liberalization and protectionism on agriculture. Chand (2021) notes that policy uncertainty, including sudden changes in export and import duties, discourages private investment in agricultural value chains. Gulati and Saini (2020)

argue that India's frequent use of export bans undermines its credibility as a reliable supplier in global markets. Despite this growing body of work, there remains limited empirical analysis of reciprocal tariffs as a distinct policy instrument and their commodity-specific impacts on Indian farmers. This paper seeks to address this gap.

3. Methodology and Data Sources

The study adopts a descriptive and analytical research design based on secondary data. Data have been collected from official and internationally recognized sources, including:

- FAOSTAT (FAO)
- WTO Trade Policy Reviews
- Reserve Bank of India reports
- Ministry of Commerce and Industry, Government of India
- Commodity-specific associations such as the Cotton Association of India

Case study analysis is employed to examine the impact of reciprocal tariffs on selected commodities. Comparative analysis with Vietnam is used to draw policy lessons. The study period broadly covers 2017–2023, corresponding to the intensification of global trade conflicts.

4. Reciprocal Tariffs and the Indian Agricultural Context

Reciprocal tariffs refer to duties imposed by a country in response to tariffs levied by its trading partners. While such measures are permitted under WTO rules within certain limits, their excessive use can undermine the principles of free and fair trade. In the Indian context, reciprocal tariffs have often been accompanied by non-tariff measures such as export bans and quantitative restrictions.

Agriculture contributes approximately 15–17 per cent to India's Gross Domestic Product and employs nearly 42 per cent of the workforce (Economic Survey of India, 2023). India is a leading exporter of rice, spices, cotton, sugar, and marine products. However, the sector's exposure to global markets also makes it vulnerable to retaliatory trade measures imposed by importing countries.

5. Impact of Reciprocal Tariffs on Indian Farmers

5.1 Farmer Vulnerability in a Globalized Trade Regime

Indian farmers operate under conditions of high uncertainty arising from climatic variability, price fluctuations, and rising input costs. Small and marginal farmers, who constitute more than 85 per cent of landholdings, have limited capacity to absorb external shocks (FAO, 2022). Reciprocal tariffs exacerbate these vulnerabilities by disrupting export markets and increasing the cost of imported inputs such as fertilizers and seeds.

5.2 Case Study 1: Pulse Production and Export Restrictions

Background

India is the world's largest producer (approximately **25%**) and consumer (**27%**) of pulses. Major pulse-producing states include Madhya Pradesh, Maharashtra, and Rajasthan.

Trade Policy Shifts

In 2017, India imposed import duties of up to **50%** on yellow peas and lentils, primarily imported from Canada, to protect domestic farmers from price crashes. In response, Canada tightened phytosanitary inspections and raised non-tariff barriers on Indian pulse exports.

Impact on Farmers

Factor	Short-Term Effect	Long-Term Effect
Domestic Prices	Increased by 20–30%	Hoarding and instability
Input Quality	Reduced access to certified seeds	Yield stagnation
Export Access	Protection from imports	Loss of market diversification

Climate variability further aggravated the situation, reducing productivity and increasing uncertainty for pulse growers.

5.3 Case Study II: Cotton and Textiles

India accounts for nearly 23 per cent of global cotton production, with over six million farmers dependent on the crop (Cotton Association of India, 2020). The imposition of tariffs on Indian textile exports by the United States in 2019 led to reduced demand for raw cotton and a price decline of approximately 15 per cent during 2019–20.

Regional impacts were particularly severe in cotton-dependent states such as Gujarat and Maharashtra. Although state governments introduced loan waivers and diversification schemes, these measures provided only short-term relief.

5.4 Price Volatility and Farmer Incomes

Reciprocal tariffs contribute to significant price volatility in export-oriented crops. For instance, basmati rice prices declined sharply following higher tariffs imposed by key importing countries, triggering farmer protests in Punjab and Haryana. RBI data indicate that average monthly farm incomes declined by nearly 15 per cent between 2018 and 2021, with only partial recovery by 2023 due to increased minimum support prices (RBI, 2023).

5.5 Hidden Costs: Inputs and Technology

Beyond output prices, reciprocal tariffs increase the cost of critical agricultural inputs. India's dependence on imported fertilizers, particularly from China, resulted in higher prices following trade restrictions in 2022. Similarly, tariffs and regulatory barriers increased the cost of hybrid and genetically modified seeds, discouraging technological adoption and productivity growth.

6. Agribusiness and Export Competitiveness

Reciprocal tariffs also affect agribusiness firms involved in processing, storage, and export. Reduced export volumes, higher logistics costs, and policy uncertainty discourage investment in value-added activities. This limits India's ability to move up the agricultural value chain and capture higher export earnings (Gulati & Saini, 2020).

7. Comparative Perspective: India and Vietnam

Comparative Analysis: India and Vietnam

Dimension	India	Vietnam
Trade Strategy	Reactive	Proactive
Market Diversification	Limited	Extensive (EU, CPTPP)
Farmer Organization	Fragmented	Cooperative-based

Vietnam's experience demonstrates the importance of export diversification, institutional support, and cooperative farming models. Vietnam's agricultural trade strategy offers useful lessons for India. While India has relied on reactive trade measures, Vietnam has proactively diversified its export markets through agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Cooperative farming and strong state support have enhanced farmer resilience in Vietnam, underscoring the importance of institutional reforms.

8. Policy Implications and Recommendations

The analysis suggests that reciprocal tariffs provide limited and short-lived benefits to Indian farmers while imposing significant long-term costs. To address these challenges, the paper recommends:

1. Ensuring stable and predictable export policies
2. Incorporating farmer representatives in trade negotiations
3. Investing in domestic agricultural research and input production
4. Promoting cooperatives and export clusters to enhance bargaining power

9. Conclusion

Reciprocal tariffs have emerged as a prominent feature of the global trade landscape, with profound implications for Indian agriculture. While such measures may offer temporary protection, they exacerbate income volatility, raise input costs, and undermine long-term competitiveness. A shift from reactive protectionism to strategic trade engagement is essential for safeguarding farmer welfare and ensuring sustainable agricultural growth.

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