India Braces for Eye-Watering Tariffs That Double to 50% Soon

FROM FIRST BUSINESS PAGE

Bhadohi is at the heart of north India's carpet belt, home to hundreds or thousands of manufacturers like Mr. Ishtiaq's company, Ajaz Carpets. They eke out their profits, so they don't have the means to absorb the giant price increases their American customers now face. Mr. Ishtiaq, who led the industry's trade promotion council, estimates that 2.5 million people who live in the region could be plunged into subsistence-level poverty.

Other industries in line to face unbearable wipeouts include textiles and garments, aquaculture — mainly farmed shrimp — and furniture. They are not India's flashiest businesses, but together they employ many millions of workers, and the billions they earn have helped keep India financially strong during periods of crisis.

Carpets are nowhere near the highest-value component of the Indian-U.S. trade in goods, which was worth $129 billion last year. But for now, questions about the even bigger, more strategic parts of the two countries' trading relationship have been postponed.

India is the primary producer of generic pharmaceuticals used in the United States, for instance, and the United States is that industry's biggest consumer market. But a carve-out in the Trump administration's tariffs has left it in limbo. It costs nothing to import Indian drugs at the moment. But the president has promised that there will soon be a 150 percent tariff, and eventually perhaps 250 percent, which Mr. Trump believes will kick-start production in the United States.

Similar exemptions for semiconductors make it impossible to predict whether India's thriving electronics manufacturing — exemplified by Apple's shift in iPhone production from China to India — can survive. For the moment, they're off the hook.

Oil and gas are complicated, too, as energy products are still exempted from tariffs. India's purchase of Russian oil, as it happens, is Mr. Trump's justification for the additional, punitive tariff on its goods. Until that threat was made, the door was open to increasing India's purchase of American products.

A senior Indian official, who spoke on the condition of anonymity because he was not authorized to talk publicly, said that Mr. Trump's complaints were initially about trade deficits, and that India had been working to reduce its surplus — by purchasing more energy and defense equipment from the United States.

But the recent escalation, the official said, with its ramifications even for smaller businesses like Mr. Ishtiaq's, appeared more concerned with geopolitical factors, such as Mr. Trump's complaints about India's purchases of Russian oil, than with actual terms of trade between India and the United States.

The potential damage the tariffs could inflict on India's gems and jewelry industry, another big-ticket part of the trading relationship, is not yet fully clear. But insiders are raising alarms, in part because the United States is India's biggest buyer of gems.

On Aug. 7, when Mr. Trump announced the 50 percent rate, Kirit Bhansali, the chairman of the industry's main association, wrote that 30 percent of the global trade in Indian gems was at risk.

"A blanket tariff of this magnitude is severely devastating for the sector," he wrote. Rival sectors in Turkey and Thailand are much smaller, but they will gain an unbeatable advantage over India thanks to lower national tariffs by Mr. Trump. Mr. Bhansali said India's gem dealers would need help in paying back loans and argued that India's banks should help.

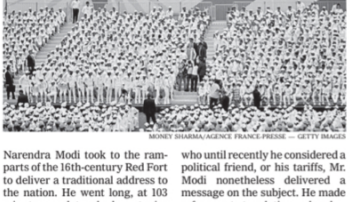
SIPA, VIA AP

Handmade carpets in Kashmir, India. Carpetmaking is huge, with 98 percent of the product shipped overseas. On Friday, left, Prime Minister Narendra Modi, addressed the nation to warn of tough times.

The crushing export tax is expected to put millions of people out of work nationwide.

If there is any government plan to save the affected businesses, it's in hiding. Federal officials have asked the states to look after their own companies. Ajay Srivastava of the Global Trade Research Initiative, a think tank in New Delhi, said the state governments had always depended on the national government to lead the way on foreign trade. Likewise, he said, India's banks will not be ready to forgive loans.

Early on Friday, India's Independence Day, Prime Minister Narendra Modi took to the ramparts of the 16th-century Red Fort to deliver a traditional address to the nation. He went long, at 103 minutes, and touched on topics from Pakistan and its perfidy, to triumphs of India's space program, to sports and reducing obesity.



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Without naming Mr. Trump, who until recently he considered a political friend, or his tariffs, Mr. Modi nonetheless delivered a message on the subject. He made reference to tough times ahead — and the need for India to go it alone. That way, he said, "no selfish interest will ever be able to entrap us." He extolled the virtues of self-reliance.

"The greater a nation's reliance on others, the more its freedom comes into question," Mr. Modi said, in an echo of Gandhi and the leaders who fought for independence from the British Empire and its mercantile domination of India. The idea seemed relevant again in 2025.

Mr. Modi's attempt to buck up India's 1.4 billion citizens spoke to the domestic political challenges Mr. Trump's attacks have dropped in his lap. One of the few new programs he named will be aimed at creating more jobs for young people.

But for the Indian technocrats and economists who for generations have pushed India toward free trade as the best way up the ladder of prosperity, Mr. Modi's rally cry sounded like a step backward.

Mr. Ishtiaq, the carpet exporter, was eager to attest to the good that international trade has done for his region, a densely populated one that was once among the poorest in India.

About 80 percent of the workers at his family's company, Ajaz Carpets, are still farmers, raising crops of wheat, rice and vegetables most of the year.

Like more than 800 million of their countrymen, they depend on free government handouts of five-kilogram bags of grain. But the piecemeal work they do, spinning and dyeing yarn, designing, weaving and finishing carpets, earns most households an extra $170 a month.

That is the difference between simply surviving on government rations and sending their children to schools, buying consumer goods and keeping their region's economy growing.

"The worst situation will be for our village people, our workers and weavers. There will be no solution for them, unless there's a solution between our two countries' governments," Mr. Ishtiaq said.

ELKE SCHOLIERS/GETTY IMAGES

Workers cleaning shrimp in Kerala, India. Aquaculture is among the industries facing possible wipeouts from levies.

last week down 45 percent from its initial public offering price.

Its critics have long pointed out that, as a public company, Soho House is obligated to pursue growth — it now has 46 Soho House locations, as well as other branded clubs, work spaces and hotels, around the world and had more than 270,000 members as of June 30 — but that strategy threatens its image of exclusivity.

Last year, the short-seller Glasshouse Research, which was betting on a decline in the company's stock, argued that the club operator had a "broken business model and terrible accounting."

Soho House rejected Glasshouse's criticisms, but it acknowledged that its board was weighing potential strategic options, including the deal announced on Monday. That plan was challenged this year by Third Point, the hedge fund run by the activist investor Daniel S. Loeb, who pressed the company to seek alternative bidders to potentially fetch a higher price.

Under the terms of the transaction, a group of investors led by MCR Hotels, one of the biggest hotel operators in the United States, agreed to pay $9 a share for Soho House, 18 percent higher than the company's closing price on Friday, but well below the $14 a share during its I.P.O.

Another member of the investor group, Apollo Global Management, is helping Soho House refinance the roughly $700 million in debt that the company issued shortly before going public, as well as putting equity toward the deal.

Several existing shareholders — notably Ronald Burkle, the billionaire who controls the company; Nick Jones, Soho House's founder; and Goldman Sachs Alternatives, an investment arm of the Wall Street giant — will roll their holdings into the new company.

Ashton Kutcher, the actor and investor, is also putting money into the deal and will join Soho House's board.

"We have long admired Soho House for bringing together cultures from around the world into a global network of 46 houses, and we look forward to the continued growth of that fabric," Tyler Morse, the chairman and chief executive of MCR, said in the deal's announcement.

Indeed, the company appears intent on continuing to expand its global footprint. Andrew Carnie, Soho House's chief executive, said in a statement that the deal would give the company "the support of world-class hospitality and investment partners" as it continued to grow.

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