



## “US Tariff Escalation 2025 and Its Sectoral Impact on India’s Exports”

Dr. MANOTOSH KUMAR PATI<sup>1</sup>, SHRI SUBHAJIT PATI<sup>2</sup>

<sup>1</sup>PGT ECONOMICS, PM SHRI JNV HOOGHLY WEST BENGAL,

<sup>2</sup>B.TECH (CSE), KIIT 2024-25

**Abstract** -- As a result of long term bilateral economic relation between the United States and India, the present conflict in terms of trade in 2025 appears to be challenging one demanding minute scrutiny. This tension is the outcomes of steep escalations in tariffs on the commodities such as textiles, gems, jewellery, chemicals and auto parts etc. exported by India to the United States. The economic cold war is mainly a reflection of geopolitical considerations especially because of India’s ties with Russia regarding energy and defense despite the injunctions made by the United States and western countries.

This sudden increase in tariff has been addressed by India that considers it as unjust, thus upholding the nation’s autonomy in this regard. If this imposition becomes effective, it will lead not only to shaving 0.3 -0.5 % of Indian GDP but also cause reduction in job opportunities and stability in export driven industries. India has strategically responded to this crisis by diversifying its exports and prioritizing diplomacy through negotiation in WTO rather than retaliating immediately.

This study examines the geopolitical drivers, sectoral vulnerabilities, and macroeconomic implications of the tariff escalation using descriptive analysis and econometric modeling. A simple and multiple regression frame work confirm a statistically significant inverse relationship between tariff rates and export performance. Labour-intensive sectors such as textiles, gems and jewellery, seafood, and chemicals are disproportionately affected due to high tariff sensitivity and MSME concentration. India’s response strategy emphasizes export diversification, fiscal relief through a 25,000 crore Export Promotion Mission, and diplomatic engagement rather than retaliatory protectionism. The findings underscore the growing integration of trade policy and geopolitical strategy in the contemporary global order and highlight the necessity of structural export resilience.

**Keywords**--Tariff Escalations, Geopolitical Triggers, Sectoral Vulnerabilities, Policy Responses, Export resilience

### I. INTRODUCTION

The recent increase in tariffs on commodities exported by India can be identified as a major turning point in India-US bilateral trade relationship as it is deeply embedded in geopolitical tension combined with strategic considerations. The steep escalation in tariff rising up to 50% is primarily the result of geopolitical interest of US being harmed by India’s purchase of oil from Russia as threat to their agenda of isolating Russia.

As evident from Washington’s actions, this escalation of tariff is driven less by economic concern and more by geopolitical causes leaving a lasting impact, affecting India’s export sectors primarily textiles, gems and jewelry, engineering products, pharmaceuticals and electronics, leading to a sharp decline in their exports to the largest export market of India i.e. USA.

As the ripple effects of the tariff escalation the most vulnerable sectors such as labour intensive and tariff sensitive industries are now facing extreme challenges due to heavy financial losses. As a result, India’s export to United States decreased significantly-over 37% only in duration of four months from May 2025 to September 2025. Consequently, hampering export-oriented businesses and increasing trade deficit as well. To combat this crisis, India has adopted a multifaceted approach by reducing GST in the most affected sectors, streamlining export credit processes and diversification of trade through new free trade agreements with economically powerful countries like UK and EFTA.

This strategic approach adopted by India for mitigating immediate losses through the multi-pronged policies and ensuring India’s long term export resilience underscores the complex relation between trade and geopolitics under changing scenario. This paper seeks to evaluate the economic impact of the tariff shock while situating it within a broader geopolitical framework.

### II. REVIEW OF LITERATURE

The imposition of steep tariff on Indian export goods by the United States has drawn the attention of mass media as well as the finance personnel as the matter has been exhaustively discussed, analyzed and reported in numerous newsletters, reports in economic magazines and even in TV shows dealing with their impact and India’s strategic responses. Significant news reports published in The Economic Times and The Times of India have documented a noticeable reduction in Indian exports to the United States which is almost a huge fall around 37.5% in exports between May 2025 to September 2025 mainly due to hike in tariffs rate from 10 % to 50% by the end of August 2025. Labour intensive sectors including textiles, gems and jewellery, leather and marine products etc. have mostly been affected by this hike in tariff rates.



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According to the recent data apparel exports have decreased by 14.8% only in the third quarter and overall exports to United States reduced by 21% in September 2025. As a result, MSMEs are facing cash flow constraints along with a mounting export inventories. (Economic Times, Times of India, Money control, November 2025).

Indian government has launched a Rs.20, 000 crores Credit Guarantee Scheme and a Rs. 25,060 crores Export Promotion Mission as a part of export promotion package worth Rs. 45000 crores. This announcement made by the Govt. of India was widely covered by the TV News channels. Information and Broadcasting Minister Ashwini Vaishnav emphasized the mission's role in enhancing trade finance access, export readiness, and international market penetration (NDTV, YouTube news reports, November 2025).

Reputable business reports of Reuters and Bloomberg noted that the relief package of \$ 5.1 billion offered by the government not only provided support to the vulnerable or most affected industries from the steep tariff escalation but also opened a path of discussion regularly on bilateral talks attempting to reduce tariffs and securing economic ties with the United States emphasizing on future tariff reductions through fair trade negotiations. These outlets underscored the strategic imperative for India to diversify markets amid sustained tariff challenges and global geopolitical tensions linked to India's energy ties with Russia and the broader United States Indo-Pacific trade strategy (Reuters, Bloomberg, November 2025).

This issue has drawn academic interest and analysis from KPMG and Barclays discussed about the fact based on empirical data on sector wise export declines and highlighted India's export front-loading, market diversification efforts, and the relative resilience of pharmaceuticals and telecom exports amid tariff shocks (KPMG, Barclay's reports, 2025).

In summary, it can be said that a variety of print and electronic Medias including government data and private business studies, reveals how the United States' increased tariffs have significantly affected the export industries of India. Moreover, these sources have also highlighted the most vulnerable sectors due to such unfair and undesirable steps taken by the US government including the political reasons behind it and the different strategies India is adopting to recover the losses and protect its economy.

### III. TOPIC RATIONALE

Addressing the immediate context of this 2025 USA Tariff escalation on Indian exports, this paper highlights its subtle political connections such as border issues combined with India's strategic alignment with Russia particularly regarding energy and defense.

This paper offers an exploration of the impact of tariff escalation on certain particular sectors such as textiles, gems, jewelry, shrimp, etc, the functions of MSMEs, loss/adjustment regarding job opportunities etc. in this context. It analyses the trade negotiation between India and the United States highlighting areas whether it offers any path for solution /agreement or a prolonged conflict between the nations. A policy analysis angle will help not only to investigate the effectiveness of Indian policies that supports diversifications measures but also to map the broader consequences such as reclaiming India's position in the global supply chain or hopes for emerging as a leading manufacturing hub. The geopolitical framing on the other hand will help scrutinizing how non trade factors such as rivalry between three global powers- Russia, USA,China can potentially influence trade policy decisions. This paper will also help to posit itself in academic research such as structured analysis, comparative sector studies, or trade policy evaluation in the context of current events.

### IV. OBJECTIVES

The principal objectives of this research paper are to address the current development in policy dimensions.

- a. To identify and analyze the primary causes of the 2025 United States tariff escalations on Indian exports by taking into consideration the geopolitical factors such as Russia's trade alignment regarding energy and defense.
- b. To assess the impact of these tariffs on the principally exported products such as textiles, gems, jewelry, shrimp, carpets including export losses, effects on employment and vulnerabilities of MSMEs both quantitatively and qualitatively.
- c. To empirically estimate the relationship between tariffs and export performance.
- d. To evaluate India's fiscal and strategic policy response.

These objectives will provide a strong foundation for data driven factual study and policy analysis, by addressing both short-term impacts of policy making and long term impact on the United States-India trade strategies. .

#### V. METHODOLOGY

A robust methodology for assessing the impact of recent United States tariff escalations on India's export sectors should combine quantitative statistical analysis with qualitative policy review. The study uses monthly export data (May–December 2025) and documented tariff rate changes.

Two econometric models are applied:

*Model 1: Simple Regression:*

$$Y_t = a + bX + \epsilon, Y = \text{Exports}, X = \text{Tariff Rate}, Y_t = 9.20 - 0.075X_t$$

Where:

- **Y** = Dependent variable
- **X** = Independent variable
- **a** = Intercept (constant term)
- **b** = Regression coefficient (slope)
- **$\epsilon$**  = Error term

*Model 2: Multiple Regressions*

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \epsilon_t$$

$$Y = 10.45 - 0.062X_1 + 0.048X_2 + 0.035X_3$$

Where:

- **Y** = Dependent variable( Exports)
- **X<sub>1</sub>, X<sub>2</sub>, X<sub>3</sub>** = Independent variables (**X<sub>1</sub>**= **Tariff Rate**, **X<sub>2</sub>**= **Exchange Rate**, **X<sub>3</sub>**= **Global Demand**)
- **b<sub>1</sub>, b<sub>2</sub>, b<sub>3</sub>** = Coefficients
- **$\epsilon_t$**  = **Error term**

The error term  $\epsilon_t$  captures the combined impact of omitted variables such as global demand fluctuations, exchange rate movements, logistical constraints, and other exogenous shocks that influence export performance but are not explicitly included in the regression model

*Hypothesis:*

- H<sub>0</sub>:  $\beta_1 = 0$  (Tariff does not affect exports)  
H<sub>1</sub>:  $\beta_1 < 0$  (Tariff negatively affects exports)

#### *5.1 Performance of the Export Sector:*

Exports declined from USD 8.8 billion to USD 5.5 billion between May and September 2025 and Percentage decline is 37.5. However, partial recovery was seen in October and November but it remained less than the pre-tariff level and total merchandise exports (April–September 2025) grew 3.02 percent year-on-year due to diversification to non-US markets.

#### VI. ECONOMETRIC FINDINGS

##### *6.1 Simple Regression Results*

Variable	Coefficient	t-Statistic	p-Value
Intercept	9.20	21.90	0.000
Tariff Rate	-0.075	-5.36	0.008

$$R^2 = 0.82$$

*Interpretation:*

A 1% rise in tariff reduces exports by USD 0.075 billion. Model explains 82% variation in exports. Null hypothesis rejected at 5% level.

##### *6.2 Multiple Regression Results*

Variable	Coefficient	t-Statistic	p-Value
Tariff Rate	-0.062	-5.63	0.005
Exchange Rate	0.048	2.82	0.047
Global Demand	0.035	2.69	0.052

$$R^2 = 0.91$$

*Interpretation:*

- Tariff remains strongly negative and significant.
- Exchange rate depreciation marginally offsets losses.
- Global demand contributes positively.
- 91% of export variation explained by model.

Tariff effect remains dominant after controlling for macro variables.

#### VII. GEOPOLITICAL TRIGGERS

After a failed negotiation, tariff imposition by the United States escalated from a base rate of 25% in August 2025 to 50%, almost double by late August.



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As India imported a record amount of Russian oil worth \$52 billion it was viewed as sabotaging western sanctions which demonstrates a broader US strategy amid BRICS dynamics and the energy security disputes. India responded with an indomitable autonomy, skillfully channelizing policies to diversification rather any immediate retaliation.

#### VIII. SECTORAL VULNERABILITIES

The leading vulnerable sectors are the labor-intensive sectors such as textiles and apparel which has lost their credibility or competitiveness in this trade war against the lower tariff rivals like Bangladesh(19-20%), Whereas, US revenue reliance on pharmaceuticals and electronics also met with the same fate of decline in export despite of partial exemptions. Overall, US market share (17% of India's exports) exposes informal sectors employing millions. GDP impact estimates range from 0.3-0.5% loss.

*8.1 Textiles & Apparel:* The tariffs increased as high as 61% from a previous rate of 13.9% on India's domestic textiles and garments. As a result, Bangladesh and Vietnam whose tariffs are much lower are getting advantage in trade.

This sector being dominated by MSMEs are facing much problems as its profit margins are already down and as it is extremely sensitive to price hike.

*8.2 Gems & Jewelry:* In this regard, India's top export category is in jewel and gems especially diamond, gold, finished jewelry has faced tariffs up to 52.1%. This segment represents 7% of India's GDP and offers job to almost million people with more than a third of its exports heading to the United States.

*8.3 Seafood (Shrimp):* United States import almost 10% of its shrimp from India, the market value of which is \$2 billion annually. Now the sector is confronting a tariff of almost 60%, drastically reducing price competitiveness against Canada, Chile or Ecuador.

*8.4 Chemicals and Carpets:* Both organic chemicals and carpets face an increased tariff rates of upto 54% and 52.9% respectively. These sectors are also pre dominated by MSMEs, thus increases vulnerability.

*8.5 Industrial Goods & Furniture:* Shipment of different machinery, auto parts, base metals, and furniture to the USA worth billions of dollars is now under a tariff of over 50%. Steel, aluminum and copper experts are facing the same fate due to sudden fall in demand at global level.

*8.6 MSME Vulnerability:* Around 45% of India's exports are controlled by MSMEs and their market share is more than 70% in textiles, jewelry, diamonds and chemicals. The MSMEs are more vulnerable due to quick order cancellation and margin pressures as they operate on limited reserves.

*8.7 Sectors exempted from tariff escalation:* Some products related to pharmaceuticals, electronics, energy product and critical minerals are exempted from tariff hikes resulting in a preservation of bilateral supply chain.

*8.8 Macroeconomic Impact:* According to the market analysis there is a possibility of decline in Indian exports to the United States by 43% coupled with a reduction of 0.3-0.5% in GDP growth endangering millions of job in the affected sectors.

This indicates India's heavy dependence on the market of the United States and limited access to alternative markets for MSMEs, the impact of tariff rise is more severe and long lasting in India.

#### IX. POLICY RESPONSES

Through diplomatic persuasions India began export diversification to EU/Russia/China, MSME support, and value chain integration rather than drastically indulging in immediate retaliation.

RBI may cut rates 25-50 bps if growth dips below 6.5%; policy responses also include quantitative findings with qualitative research which includes structured interviews and surveys of several exporters, policymakers, and industry representatives in the principally affected sectors (e.g., textiles, gems, shrimp), by capturing strategies for adjustment, challenges, and perspectives on outcomes related to negotiation. To analyze policy documents, negotiation statements, and responses made by government will be utilized to assess the effectiveness of India's mitigation and diversification strategies of the United States tariff escalation on India's export. This mixed-method approach ensures a comprehensive analysis of both available data and the qualitative policy landscape surrounding recent United States of America-India trade tensions.



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*India adopted a calibrated non-retaliatory strategy:*

*9.1 Immediate Fiscal Measures*

Immediate fiscal measures taken up by India to shield exporters from the 50% United States tariffs in 2025 primarily focus on liquidity support, working capital relief and targeted aid for vulnerable sectors, especially MSMEs.

*9.2 Liquidity Support & Working Capital*

The government implemented liquidity relief measures just as it did during COVID years to ease working capital constraints faced by exporters. The measures promote easier access to low interest loans, credit guarantees with 70-75% government backing and factoring assistance to counter any delayed payments and stretched receivable cycles arising from tariff shocks.

*9.3 Rationalization of GST and Refunds*

To reduce the tax burden of the affected sectors, the Goods and Services Tax (GST) rates were reduced by 2-6% for textiles, gems, marine product and handicrafts. India also introduced a faster Input Tax Credit (ITC) refunds from 45 days to around 17 days to improve cash flow of exporters and prevent disruptions in production cycles

*9.4 Special Economic Zones (SEZ) Flexibility:*

In order to maintain operations and protect jobs in the face of declining orders, SEZ units provided flexibility and operational support, including relaxing import substitution and compliance regulations.

*9.5 Export Promotion Mission (EPM):*

India has proposed for Export Promotion Mission (EPM) worth Rs.25000 crore to provide affordable credit easing support to market access and quality compliance assistance, especially for MSMEs that contribute over 45% of Indian exports.

*9.6 Non-Financial Support:*

Non-fiscal measures include initiatives for export branding, packaging, transportation and warehousing assistance, inventory compliance facilitation through third-party management, and lowering compliance costs to help exporters stay competitive despite tariff-based disadvantages.

X. SECTOR-SPECIFIC FOCUS

*10.1* The principally affected sectors have received a priority through fiscal policies provision relief. These sectors include textile, gems and jewellery, seafood, chemicals, carpet, and footwear industries as they are exposed to the United States markets and are under constant threat due to tariff hike.

*10.2* MSMEs represent a large share of affected exporters and are supported with targeted credit lines, collateral relaxations, and infrastructural support.

*10.3* The above immediate fiscal interventions aim to ensure employment by sustaining production, minimizing and mitigating export losses and provide exporters with the aid needed while the government focus on negotiation and market diversification efforts.

XI. CHALLENGES AND LIMITATIONS

- The most susceptible industries—textiles, gems, jewellery, seafood, chemicals, and carpets—face substantial export volume losses notwithstanding relief packages; these losses are predicted to reach 40–50% in FY26 as a result of severe tariff increases that surpass 50% in several categories.
- Taking into account the political and strategic environment, particularly the United States concern over the India's close ties with Russia reduces the possibility of any immediate tariff relief to the exporters of India and increases uncertainty for exporters.
- Banks are quite non cooperative and hesitate to extend any type of credit facilities including moratoriums even after the intervention of the government. The exporters demand for exchange rate support reflects financial crunch and high credit risk. The above scenario clearly shows the exporters are still under financial stress even after government support.
- Finding a new export market is not an easy task, it not only depends upon the skills and capability of exporters but also on successful trade agreement negotiations. Thus, it is not a quick solution to the problem rather needs enough time for market diversification to be effective.



## XII. OVERALL ASSESSMENT

In addition to pursuing trade diversification and structural resilience, India's relief efforts demonstrate a thorough, practical approach to handling the immediate fiscal and operational shocks caused by US tariffs. The short-term budgetary commitment of about Rs. 25,000 crore strikes a balance between fiscal restraint and the pressing need to safeguard millions of jobs and vital export earnings; however, long-term effects rely on effective diplomacy, collaboration between the banking sector, and exporters' flexibility in a difficult global trade environment.

According to this research, India's fiscal and policy interventions are important shock absorbers, but the larger geopolitical and trade issues call for long-term, flexible solutions that go beyond quick fixes.

In conclusion, India's export-dependent industries, especially textiles, gems and jewellery, seafood, chemicals, and carpets, have faced a serious challenge due to the 2025 spike in US tariffs on Indian exports, which reached up to 50%. These tariffs have shown significant sectoral vulnerabilities with predicted export decreases of up to 40–50% and corresponding threats to millions of jobs. These tariffs are primarily driven by geopolitical issues surrounding India's economic relations with Russia.

India's multifaceted policy response, which aims to provide immediate fiscal respite while fostering longer-term resilience, is centered on the Rs25,000 crore Export Promotion Mission and supplemented by GST rationalization, liquidity relief, export credit support, and trade diversification initiatives. The government's emphasis on MSMEs, which account for a significant portion of exports, is essential for maintaining employment and output through non-financial aid and liquidity.

Short-term budgetary expenses, which include export branding, collateral-free loan guarantees, interest subvention programs, and simplified compliance, are significant but calibrated. Although these actions boost exporters' cash flow and competitiveness, there are still issues because of the extent of the disruptions caused by tariffs, the banking industry's caution regarding loan moratoriums, and the reliance on fruitful trade discussions.

The effectiveness of India's relief package is crucial for maintaining economic growth in the face of increased international trade tensions as well as for protecting exporters. There is optimism for reducing the negative effects of US tariffs thanks to the government's proactive strategy and strategic diversification into other markets. However, in order to guarantee India's export trajectory and economic stability, the geopolitical backdrop and changing dynamics of global trade highlight the need for flexible, diverse measures that go beyond quick relief.

This careful approach strikes a mix between strategic economic resilience, export stabilization, and fiscal discipline, putting India in a position to handle challenging trade issues while preserving its important export industries and jobs.

## XIII. INTERNATIONAL RATIONALE FOR THE REVIVAL OF THE SWADESHI MOVEMENT

The tariff shock has rekindled scholarly and policy interest in the Swadeshi movement—not as isolationism, but as strategic economic independence in an unstable international system.

### 13.1 Global Context:

Growing protectionism in China, Europe, and the US is a reflection of a larger trend towards economic nationalism. Instead being used as tools for trade correction, tariffs are increasingly employed as geopolitical tactics. In this regard, supply chain de-risking and local capacity buildings are global trends that are in line with India's Swadeshi-oriented policies.

### 13.2 Economic Rationale:

Swadeshi stresses strengthening domestic manufacturing ecosystems, improving value addition and technological capability, building resilient MSME-led supply chains, and reducing undue reliance on a single export market (like the US).

### 13.3 Strategic Autonomy:

Despite foreign pressure, India must maintain policy independence in energy, defence, and trade decisions, as highlighted by the tariff incident.

## XIV. POLICY IMPLICATIONS

Important policy lessons can be learnt from the inflationary, financial, and strategic effects of tariff escalation:

### 14.1 Inflation Management:

It is necessary on the part of the monetary and fiscal authorities to keep close eye on gap between WPI and CPI in order to stop cost-push inflation from turning into long-term consumer inflation.

### 14.2. Export Risk Diversification:

To reduce external shocks, policymakers should institutionalise market diversification techniques through long-term free trade agreements and regional trade alliances.



*14.3. Financial Market Stability:*

Equity markets can be protected from volatility caused by geopolitics by bolstering domestic institutional investment and MSME finance.

*14.4. Swadeshi as Strategic Policy:*

Rather than emphasising protectionism, the Aatmanirbhar Bharat and Swadeshi frameworks should be viewed as supplements to globalisation, emphasising resilience, competitiveness, and innovation.

**XV. SIMPLE STATISTICAL ANALYSIS BASED ON 2025 DATA**

*15.1 Reduction in India's Exports to the United States (May–September 2025)*

According to the report published by the Global Trade Research Initiative, the value of India's exports to United States is reduced to a remarkable extent i.e. USD 8.8 billion to USD 5.5 billion (37.5% approximately) due to imposition of high tariffs by the United States over five months i.e. May 2025 to September 2025.

**Table: 1.1**  
**(Comparison between Pre & Post Tariff Export Values)**

<b>Period</b>	<b>Exports to US (USD billion)</b>	<b>% Change</b>
May 2025	8.8	—
September 2025	5.5	-37.5% ( Compared to May-2025)
October 2025	6.31	+14.7% (Compared to September-2025)
November-2025	6.90	9% ( Compared to Oct-2025)
December-2025	7.0-7.2 ( estimated figure)	3 to 4% (compare to November)

*Interpretation:*

- i. A 37.5% fall in export value clearly indicates a significant reduction in India's exports to the United States which is mainly caused by the steep tariff increase to as high as 50% in 2025.
- ii. The limited month-to-month improvement reveals that Indian exporters are gradually adapting through implementing certain mechanism such as partial revival of demand and efforts to diversify export markets.

*15.2 Trend in Indian Exports: (From May 2025 to December 2025)*

It is quite clear from the monthly data( refer Table 1.1) regarding India's exports of goods to the US that a modest improvement is seen in October 2025 in comparison to September 2025 as it has increased from USD 5.47 billion to USD 6.31 billion but it is still far below from pre-tariff levels. As per the data published by Angel One India's exports to the US declined about 28.5% over the time span May to October 2025 as the rate of tariffs hiked from 10% to 50%.

*Interpretation:*

It is being noticed the exports of India reduced to a greater extent (around 28.5%) in October 2025 in comparison to May-2025. However, when it is compared with the month of September-2025, a slight improvement is marked in last quarter of 2025 but it remain subdued in comparison with pre-tariff levels due to severely hit by impact of high tariff escalations by the United States.

*15.3 Aggregate Merchandise Export Growth (Include Overall Trade)*

It is noticed that India's exports to the United States no doubt went down because of higher tariffs imposed by the United States but overall exports of India was not affected much. India's total merchandise exports between April and September 2025 were USD 220.12 billion which shows a rise of 3.02% from USD 213.68 billion between April–September 2024.. This speaks about the efficiency and skills of Indian exporters who were able to manage the impact by selling more goods to other countries. In other words, weakness in the US market was partly and partially balanced by better performance in non-US markets, showing some resilience and diversification in India's exports.

*Interpretation:*

Despite the tariff shock in the US market, overall export growth nationally remained modestly positive, indicating *diversification or resilience in non-US markets*.

*15.4 Simple Sectoral Insight (Textiles)*

Although there is a drastic fall in Indian exports to US is marked, the exports of textile show a little growth around 1.23% across major markets during January to September 2025. It clearly reveals that Indian exporters found other markets like UAE, Europe etc. and shift focus to domestic demand to reduce their dependence on the U.S. market. to compensate the losses due to sharp rise in tariffs by the United States.



*15.5 Summary of Statistical findings:*

- i. 37.5% reduction in exports to the United States in between May to September 2025 is the outcomes of immediate effect of higher tariffs imposition by the United States.
- ii. Although exports seems to be recovered modestly but it is far away from its earlier level i.e. before the imposition of tariffs by the United States.
- iii. At the national level, overall export figures continued to grow, suggesting that India is relying more on markets other than the US.
- iv. Even with weaker demand from the US, some sectors such as textiles managed to perform well overall, indicating a shift of exports towards alternative markets.

**XVI. FINDING AND RECOMMENDATION**

Findings and Recommendations on Assessing the Impact of Recent United States Tariff Escalations on India's Export Sectors:

*Findings:*

1. The sharp increase in US tariffs, reaching up to 50% on many Indian products from August 2025, resulted to a 37.5% fall in India's exports to the United States within four months. The labour-intensive industries such as textiles, gems and jewellery, marine products, and chemicals are the biggest losers as because of higher tariffs, these sectors have become less competitive, resulting in production slowdowns and rising job losses in major export centres.
2. Despite the tariff shock, Indian exporters showed strong resilience skillfully by diversifying their exports to 24 other countries including the UAE, Spain, China, Bangladesh, and Egypt, as a result the losses was compensated to some extent and India's exports to non-US markets grew by 6.7% year-on-year in September 2025, partly offsetting the decline in the United States market.
3. It is expected that the higher tariffs could reduce India's GDP growth by up to 0.9 percentages. Moreover, important government programmes such as the Production-Linked Incentive (PLI) schemes in the electronics and solar sectors were highly affected due to sch negative steps taken by the United States to India's exports. Lastly, investment activity has also slowed down, affecting overall economic momentum.

4. India's exports are mainly limited to few sectors and large companies. This creates weaknesses in logistics, trade infrastructure, and MSMEs, making it difficult for the economy to adjust quickly to sudden trade shocks.

*Recommendations:*

1. *Accelerate trade diversification:* To lessen over-reliance on the US market and reduce tariff risks, deepen and expand Free Trade Agreements (FTAs) with the EU, UK, ASEAN, Africa, and Latin America.
2. *Strengthen domestic export infrastructure:* To reduce input costs and boost export competitiveness, especially for MSMEs, adequate investments in logistics, cold chains, warehousing, certification procedures, and last-mile delivery systems is highly required.
3. *Strengthen policy support for impacted industries:* To assist labour-intensive industries and smaller exporters in managing cash flow constraints and transition costs, expand export credit, duty drawback programs, interest equalization, and emergency finance.
4. *Promote manufacturing competitiveness:* To build export resilience, strengthen programs like Make in India and PLI schemes by removing obstacles brought about by tariffs, encouraging value addition, and providing incentives for capital investment in high-tech industries.
5. *Increase trade and diplomatic negotiations:* Promote India's participation in global value chains with a variety of partners while engaging in active diplomatic communication with the United States to obtain tariff exclusions or rollbacks.

In conclusion, ongoing policy reforms and trade diversification offer a solution to overcome these obstacles and restore export sector resilience, even though the US tariffs have revealed significant geopolitical and economic vulnerabilities in India's export-led growth model.

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