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Tariff-ied: India's Economic Journey through U.S. Trade Turbulence and Strategic Response

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Abstract

This article examines the trade disruptions faced by India due to the U.S. unilateral tariff policies, particularly during Donald Trump's second term in office, providing a brief background of the protectionist policies of his first term. The paper examines how Trump's administration's inward-looking approach aimed to revive American industries, generate employment, and strengthen U.S. economic self-reliance, while safeguarding its national interest, has impacted India's economic trajectory. Moreover, the paper also examines sectoral vulnerabilities faced by Indian industries such as textiles and apparel, steel, agriculture, pharmaceuticals, with a focus on export competitiveness, and access to the U.S. market. It also analyses the shifts in bilateral trade with the two countries and adjustments in India's market diversification policies. Analysis revealed that emerging economies like India can significantly reduce trade tensions with sector-specific trade partner diversification strategies. This research offers an in-depth analysis of India -U.S. trade relations and the long-term impact of tariff-induced turbulence on India's growth trajectory. The paper concludes with offering actionable insights for policymakers, intending to develop more robust trade linkages in a rapidly fragmented global order.

Keywords: Indo-U.S. trade war, Trade & Tariffs, Sectoral vulnerability, Anti-globalization, Trade Resilience, Trust Reconstruction, Export Diversification

1. Introduction

The global economic framework is evolving very rapidly. Due to rising geopolitical dynamics and weakening of multilateral institutions, this has escalated contest among major powers (O'Brien & Williams, 2020). The U.S. has caused notable shifts in global value chain; the unpredictable move by the U.S. has caused spillovers across the globe. The United States is counted among the countries that are governed by a well-organized institutional framework. However, President Donald Trump has created turbulence in this framework through his unpredictable policies. One major disruption has been caused by his tariff policy, the effects of which are being felt across the world. Through his tariff policy, he dreams of tightening control over other countries and filling the American treasury. He announced the tariffs with great fanfare and described them as "Liberation Day" in American history. During the past year (2025), Trump's administration's dramatic policies have reshaped the direction of the global order. Even America's traditional allies have been somewhat unsettled by this unpredictable approach. Trump's foreign policy is not only challenging the fundamental principles of America's traditional role in the world, but is also shaking the broader assumptions associated with the modern global order. The United States, which has long advised others on rules and norms, is now itself bypassing the very established traditions that it once advocated. The implications of this shift will be far-reaching. His tenure of 2017-2021 have clearly evidenced transactional and protectionist nature. In this direction, Trump has announced that from April 2, 2025, the United States will impose import tariffs on goods imported from India at the same rate that India imposes on goods imported from the United States. Trump believes that higher import tariffs will make foreign goods more expensive, while domestic production will become relatively cheaper, which will revive American industries, generate employment, and strengthen U.S. economic self-reliance. Trump is of view that the global integration has caused severe damage to the U.S., loosening jobs in manufacturing and even defying the U.S. own national interest. Trump's intent to "fix" America's trading relations by leveraging tariffs and to seek "Fair and reciprocal" trade deals (Paripiani, 2020). The unilateral action of the US, hitting India with add-on tariffs has disrupted the normal order of the bilateral economic trade relations between the two countries. A large section of Indian industry, including sectors that are seen to be relatively more vulnerable to reciprocal tariffs by the US, appeared stoic. India, is one of the largest emerging economies, and export constitute important driver in its growth. The U.S. accounts for $1/5^{th}$ share in India's total exports; textiles, agricultural products, gems and jewellery and information technology services constitute important share; however, the hardest hit sectors were engineering goods, leather, chemicals, marine products, electrical machinery & equipment and textile & apparel. India's exposure to the U.S. in its exports caused volatility, as tariffs modified the cost advantage of Indian goods in the U.S. market. Evidence have shown that heavy reliance on any one export destination has wider ramifications on the economy of the state (Peddiraju, 2025). The Indian economy has experienced differing results in various sectors. Despite heightened trade tensions, few sectors- particularly pharmaceuticals and information technology continued to maintain their presence and competitiveness in the U.S. market, in contrast majority of India's exports to the U.S. has been disrupted by the tariff trouble; this highlights the uneven nature of tariff impact. These recent developments in India- U.S. trade relations have compelled both counties to adopt alternative strategies to make trade resilient amid rising protectionism (Jain & Pandey, 2026).

1.1 Rising Protectionism Background (2017-2021)

During Donald Trump's first presidential tenure (2017-2021), the US succeeded in adopting a protectionist trade policy aimed at securing its national agenda and to protect its domestic market. Within a little over a year of assuming office, Trump's administration succeeded in adopting several campaign commitments majorly to "Make America Great Again". After years of promoting liberal trade and rule-based trading system, in 2018 the U.S. succeeded in shifting the momentum towards " anti-globalization" (Che et al., 2025). The U.S. initiated a trade war with China and India; it adopted several ways, especially the abolition of India's GSP status and a Section 232 Investigation as well as targeted tariff increase in select sectors (Babu, 2020; U.S. Department of Commerce, 2018). Several scholars have described this as a "mini trade war" (Bown, 2019). Through the imposition of higher tariffs and a more confrontational trade negotiation strategy, the United States sought to restructure trade rules, reflecting the Trump administration's "America First" agenda. Trump's approach towards economy is far more different from other Republican party presidents; he is more titled towards creating "economic anxieties". Populist pressures have forced him to pursue unilateral actions in place of soft-power diplomacy. His first term passed, fulfilling his campaign promises (Kim & Knuckey, 2021). Overall, the tariff escalation in Trump's first term offers differing outcomes; some countries offered concessions, whereas few engaged in retaliatory actions.

2. Literature Review

A growing body of literature has examined the implications of U.S. protectionist trade policies, with particular attention to the Trump administration's tariff measures and their global economic spillovers. (Chor & Li, 2024) studied the impact of US-China tariff war on China, a study by the (Govindharaj, 2025), analysed the ripple effects of U.S. Trade Policy. An article by (Bin Saleem et al., 2025) discusses the economic justification of U.S. unilateral tariff actions, their macroeconomic effects, the international reaction, and legal issues. Some authors have analysed the U.S. abolition of India's GSP status and Section 232 tariffs. Systematic Literature review identified that most studies focused on trade diversion created by tariffs and global supply chain reconfigurations (Cigna et al., 2021; Wu et al., 2021), the paralysis of industries, financial effects, the political dimension of tariffs and repercussion on global trade. A study by (Sudan & Taggar, 2025), presents the impact of 'Economic Policy Uncertainty' (EPU)-induced 'Trade Supply Chain Vulnerability (TSCV)' on the Small and Medium-Sized Enterprises (SMEs) in India. Another significant contribution by (Kadam, 2025) focused on the ripple effects on India's small and medium enterprises (SMEs), foreign direct investment (FDI), and supply chain dependencies, underscoring dual nature of tariffs- both as challenge and as an opportunity. Moreover (Srivastava & Reddy, 2023) did a sector-wise assessment of India's response towards tariff restrictions, highlighting the relevance of diversification as a policy-oriented strategic response, notably underpinning bilateral trade diplomacy as key strategic policy responses.

2.1 Research Gap

The existing literature has demonstrated several key findings, including tariff-induced trade diversion, a disproportionate burden on SMEs, and disruptions in global supply chains. However, several critical gaps remain in the existing body of knowledge. First, most studies focused on Trump's first tenure (2017-2021), overlooking the changing dynamics in global trade. Second, while individual studies have examined firm-level vulnerabilities, there is limited emphasis on holistic sectoral vulnerability. Third, limited research has incorporated a mixed-method research design integrating trade stats analysis supplemented by descriptive review to examine the impact of Trump's renewed tariff policies on the Indian economy. Furthermore, it analyses the strategic shifts in India's trade policy orientation and market diversification efforts that have emerged in response to persistent protectionist pressures.

2.2 Research Methodology

An integrated mixed-method research design was employed, combining quantitative sectoral trade data analysis and comparative assessment with qualitative analysis to evaluate the effects of the Trump administration's reciprocal tariff measures introduced in 2025 on India. Sector-specific trade data was collected from the Ministry of Trade and Commerce, Government of India and USTR. To complement this, a critical review of policy documents and government official statements was systematically analysed. The gathered data was assessed to derive meaningful findings, leading to key outcomes as well as policy-relevant recommendations. The study evaluates both short-term and long-term economic impacts, along with policy responses of the Indian government. Furthermore, a regression study is conducted to assess India's export performance, with reference to the withdrawal of GSP, as a policy dummy variable. This multi-pronged integrated approach ensures the robustness of the study, making it relevant to changing geopolitical dynamics and providing a balanced perspective. To ensure validity and reliability, the data was cross-referenced across at least two sources to ensure consistency.

Objectives of the Study

(1) To critically evaluate the recent developments in the U.S. tariff policy under the leadership

of President Trump (2025) and elucidate its distinct characteristics.

(2) To assess India's export performance in goods and services (2015-2023).

(3) To assess the sector-specific impact of the 2025 US tariff policy on India's trade of critical sectors such as textile and apparel, gems and jewellery, leather and leather manufacturers and engineering goods.

(4) To recommend policies that reduce the negative effects of tariff turbulence and improve India's trade resilience.

3. Analysis of 2025 U.S. tariff policy towards India and its specific features

The year 2025 has been a very active year for U.S. President Donald Trump, beyond America's borders. His actions across the globe have caused the biggest waves of turbulence (Jacobs, 2026). The U.S. has imposed steep tariffs on India through a formal executive order on April 2, 2025. Imports from India were subjected to a 26% duty with a baseline 10% ad valorem duty, which was later increased to 50%. The most affected sectors were, those that are labour-intensive and export-driven such as textiles, footwear, chemicals, gems and jewellery. The primary features of U.S. unilateral actions on India are:

(1) Competitive disadvantage: The U.S. stated that it will levy a 61% tariff rate on Indian ready-made garment exports, which is significantly higher than the 31% rate levied on exports from Vietnam and Bangladesh. This has exposed Indian textiles in the U.S. market to severe competition. Tariff increases have significantly weakened the competitiveness of Indian shrimp and engineering exports as well, particularly when compared with duty-free or lower-tariff competitors such as Canada, Chile, Mexico, and Japan. This comparative disadvantage will lead to a gradual decline of India in the U.S. market (GTRI, 2025).

(2) Supply Chain Disruptions in Key Sectors: The growing uncertainty in the global market has a significant bearing on Indian exporters' mindset. High duties are reducing the efficiency of supply chains and forcing Indian industries to make costly long-term decisions (Sankhla, 2025). China is the biggest supplier of Active Pharmaceuticals Ingredients (APIs). The imposition of tariffs by the U.S. has critically disrupted the supply of APIs to India, which has created adversaries in Indian pharmaceutical sectors, restricting production and exports. Same as China holding a commendable hold on rare earth minerals, tariffs create hurdles in the supply of these as well.

(3) Non-tariff barrier intensification: With Trump's return to power in 2024, the U.S. administration's revival of the "Reciprocal Tariff Policy" and Rules of Origin requirements criteria amplified the ambiguity, especially for small and medium enterprises. Stricter Rules of Origin requirements have created new frictions for India's exports to the U.S. With a multitude of sustained efforts, India was able to attract multinational corporations to set up their production facilities in India; this increased compliance will shift away the advantage (Zhang et al., 2026). According to the Federal Reserve, heightened tariff complexity under Trump's trade policies pushed trade compliance costs up by between 1.4 % and 2.5 % of the value of goods, translating into approximately $39 billion–$71 billion in additional annual compliance costs for manufacturers and importers facing the most complex new rules and documentation requirements (Bowdle & Kamal, 2025; Tyson, 2025).

4. Forecasting India's Export Performance: A Regression Analysis of Trade Trends (2015 -2023)

A linear regression analysis examining India's exports to the world over the period 2015–2023 offers meaningful insights into the likely future direction of bilateral trade. Following the analytical approach of (Bhattacharya, 2025), we estimated the following model. By accounting for time trends as well as the policy shock associated with the withdrawal of GSP benefits by the U.S. in 2019, the model captures the key determinants of export performance. This framework helps us to understand how broader economic trends and policy decisions together influence India's exports performance. The regression study conducted here, provides policymakers with more accurate export projections estimates. The analysis utilizes annual export data from 2015 to 2023, comprising India's total exports of goods and services to global markets, measured in USD billions. The dataset includes nine observations covering the pre-GSP (Generalised System of Preferences) withdrawal period (2015-2018) and the post-withdrawal period (2019-2023) sourced from the Ministry of Commerce and Industry, Government of India (MoCI, 2025).

Regression Model

$\text{Exports}_t = \alpha + \beta_1 * \text{Time Index}_t + \beta_2 * \text{Policy Dummy}_t + \varepsilon_t$

Exports_t = India's total exports of goods and services to the world from (2015-2023 in USD billion in year t)

Time Index_t = sequential time variable from 1 (2015) to 9 (2023)

Policy Dummy_t = 0 for 2015–2018 (pre GSP withdrawal), 1 for 2019–2023 (post GSP withdrawal)

ε_t = Error term

4.1 Results and Interpretations

Table 1: Model Fit Measures

Model	R	R²	Adjusted R²
1	0.950	0.902	0.870

Note: Models estimated using sample size of N=9

Table 2: Regression Coefficients- Exports

Predictor	Estimate	Std. Error	t	P	Significance
Intercept	308.2	40.6	7.60	<0.001	***
Time Index	66.0	12.8	5.15	0.002	**
Policy Dummy	-117.7	66.7	-1.77	0.128	NS

Significance levels: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, NS = Not Significant

4.2 Discussion

The regression model explains 90.2% of the variation in exports ($R^2 = 0.902$), estimating the effect of the time-based trend and GSP dummy variable. The observed time trend exhibits a strong positive trajectory of export growth throughout the period of 2015-2023 and is statistically significant ($p = 0.002$, $p < 0.05$). India's exports increase by approximately $66.0 billion USD, for every year that passes and the standardized coefficient is 1.313 which represents a large effect of time trend, which is dominant driver of India's export performance. This robust growth trend reflects India's expanding integration into global markets due to improving export competitiveness, and the rising productive capacity of Indian industries. The strong statistical significance ($p = 0.002$) provides compelling evidence that this upward trajectory is not due to random chance but represents a genuine structural trend in India's export performance. The policy dummy variable lacks statistical significance ($p = 0.128$, $p > 0.05$), suggesting that, at an aggregate level, the withdrawal of Generalised System of Preferences (GSP) benefits did not substantially hamper India's overall export momentum. The sustained continuity is India's exports can be largely attributed to several factors such as diversification in sourcing and destinations, adaptability of sectors, trade strategies and policies, government initiatives, and rising global demand.

5. Sector-specific impact of the 2025 US tariff policy on India's export and import

The U.S. share in India's total trade exports constitutes around 21%, and the U.S. ranks first in India's top export destinations. The total exports to the U.S. in the year 2025, is 73.3 USD billion and Import is 30.3 USD billion, in the first three quarters of 2025 (Jan-Sept.). The major contributor to India's export basket is HS-85 commodity (electrical, electronic equipment) worth 21.7 USD billion, followed by pharmaceutical products, resulting in a substantial trade surplus in India's favour. This heavy concentration of India's exports to the U.S. market means that any tariff change would have significant implications for India's export-destined sectors (MoCI, 2025).

Table 3: India's trade with the U.S. from 2022-2025 (in US $ Billion)

Year	India's exports to U.S.	India's Import from U.S.	Trade Balance
2022	85.5	46.8	+38.6
2023	83.5	40.3	+43.2
2024	87.3	41.5	+45.8
2025	73.3 (Jan- Sept.)	30.2 (Jan-Sept.)	+43.1

Source: Author's compilation from U.S. census Bureau: Trade in goods with India. (Note: The 2025 reflect trade figures from January to September only.)

The trade surplus with the U.S. has narrowed in the first 3 quarters of 2025. India's trade surplus with the U.S. declined from USD 45.8 billion in 2024 to USD 43.1 billion in 2025, with some trade shifting to other markets. The above [Table 3] indicates the negative impact of the 2025 U.S. tariff regime on India's trade performance. This decline can largely be attributed to higher tariff rates, enhanced compliance procedures, RoO requirements, and loss in price competitiveness of Indian commodities in the U.S. market. Overall, these developments underscore the increasing anxieties and turbulence in bilateral trade relations. The sector-specific impact of the 2025 U.S. tariff policy on Indian sectors was particularly severe in cotton/yarn/fabrics/made-ups and handloom products, fruits and vegetables, engineering goods, spices, ready-made garments of all textiles, gems and jewellery and leather products.

5.1 Sectoral Analysis

(1) Textiles: India ranks sixth in global supply of textiles, with a 4.1% share in 2024, and the U.S. remains India's largest export market, accounting for 29% of textile and apparel exports (PIB, 2025). For the Indian textiles sector, the tariff was a big blow. This has rendered the commodity more expensive than that of rival exporters from Bangladesh and Vietnam(MARC, 2025). In 2024, India's exports of ready-made garments across all textile categories to the U.S. were valued at USD 15.7 billion. In 2025, this figure declined by approximately 6 % , falling to USD 14.7 billion. This year-on-year contraction indicates a loss of price competitiveness among Indian producers due to higher tariff rates and the shifting of sourcing strategies of the U.S.

(2) Gems and Jewellery: The US is the largest importer of gems and jewellery exported from India, around a 30% share. Reciprocal tariffs disrupted trade flows to the U.S. sharply. Duties levied on polished diamonds and coloured gemstones escalated from 0% to 10% in April, then to 50% by August, resulting in a steep fall in major segments, lowering the margin gains. A steep fall of 44.42 percent was recorded in India's gem and ornament exports to the

United States during the period April–December 2025 (India Seatrade News, 2026). Export earnings declined from USD 8,691.25 million to USD 3,862.08 million. Exports of finished and cut diamonds contracted sharply by 60.11 percent, decreasing from USD 3,636.36 million to USD 1,450.38 million. A decline of 24.54 percent was observed in studded gold ornament exports, while shipments of plain gold ornaments registered a fall of 28.89 percent over the same period (GJEPC India, 2026).

(3) Leather and Leather manufactures: For Indian leather manufactures the U.S. is the largest market for export, with around 20% share of Indian leather articles exports. A large chunk of revenue comes from the U.S. market. India exported $921.9 million worth of leather goods to the U.S. in the year 2024, which declined to a level of $857.4 million. The sector has experienced a meagre growth rate of 0.9% as compared to the previous year. The punitive tariffs, have further eroded India's competitiveness relative to other major exporters such as Cambodia, Italy, Vietnam, and France, which continue to face comparatively lower U.S. tariff rates ranging between 15% and 20%. Leather manufacturing is a highly labour-intensive task and this industry employs around 4 million people in the country; consequently U.S. tariffs have placed both employment and industry revenues under significant strain (Crisil Ratings, 2025). Tamil Nadu (37.34% in 2025) and Uttar Pradesh (27.77%) constitute the two most significant leather export clusters in India, together accounting for nearly 65% of the country's total leather exports. These clusters are currently under intense pressure as U.S. buyers rapidly reconfigure their sourcing strategies. Vietnam, China, Indonesia, and Cambodia are increasingly capturing the sneakers and synthetic footwear segment, while Italy and Mexico are poised to dominate high-end leather products. At the lower end of the value chain, Bangladesh and Pakistan are expanding their presence in basic leather and non-leather goods (GTRI, 2025).

(4) Engineering Goods sector: The increased tariff rates had a limited direct impact on India's exports of engineering goods, as the U.S. accounts for only a small share of India's steel and aluminium shipments. However, the indirect impact is significant. Engineering goods account for 26.67% of India's total merchandise exports, up from 25.01% in FY24, highlighting the sector's rising prominence in India's export basket. In FY26 (April–July 2025), engineering exports stood at US$ 37.9 billion, compared with US$ 35.8 billion in the corresponding period of the previous year, indicating continued momentum. The U.S. is a vital market for Indian engineering goods. However, the U.S. buyers are rapidly reconfiguring supply chains, with steel demand increasingly shifting toward domestic U.S. mills; this has put key industrial sectors in India under strain (CareEdge, 2025; IBEF, 2025).

Aggregate Sectoral Review: Following the increase in U.S. tariff rates from 10 percent to as high as of 50 percent, India's export performance in the American market weakened significantly. Export values declined from USD 8.8 billion in May 2025 to USD 6.3 billion by October, reflecting a contraction of 28.5 percent within five months (May-Oct.) [Fig.1]. Even product categories officially exempt from tariffs experienced a downturn in export volumes. Labour -intensive sectors were particularly more vulnerable with losses in jobs. Agricultural sectors' trade also faced significant disruptions. Total exports of food and farm products dropped by nearly 45 percent, while marine product exports also suffered a substantial decline, registering a 39 percent decline. This contraction in export volumes was driven by U.S. importers redirecting shrimp purchases away from India toward competing suppliers such as Ecuador and Vietnam, resulting in job erosion in India's coastal seafood processing clusters. Since lower tariffs are enjoyed by our competitors from South and Southeast Asia, most of our low- to medium-value orders are likely to be diverted to them.

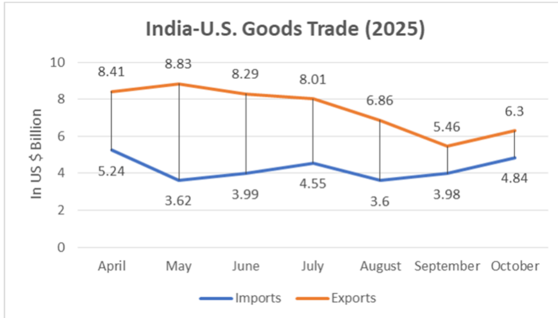

Fig.1: India-U.S. Goods trade (2025)

Table 4 : India's Tariff Exposure

Sector/Commodity	Share of U.S. in India's Total Exports (%)	Major Indian Production Hubs Exposed	Likely Gainers	Remarks
Engineering goods	18%	Maharashtra, Tamil Nadu and Gujarat	U.K., Mexico, Canada	High capital intensity; trade diversion driven by U.S. reshoring and nearshoring strategies
Textiles & Apparel	28%	Tirupur, Ludhiana	Vietnam, Bangladesh, Mexico	Labour-intensive sector facing strong substitution by lower-cost of other Asian exporters
Organic Chemicals	22%	Gujarat, Maharashtra, Andhra Pradesh	China, E.U., Mexico, Canada	Affected by compliance costs, anti-dumping risks, and environmental regulations
Gems & jewellery	21%	Surat, Mumbai, Jaipur	Dubai, Belgium, Israel	Liquidity and working capital stress
Leather & Footwear	20%	Agra, Kanpur	Cambodia, Vietnam, France, Italy	Price sensitivity and decreased cost competitiveness
Shrimps(Marine Product)	32%	Vishakhapatnam (Andhra Pradesh)	Ecuador, Vietnam, Indonesia and Thailand	Severely impacted by sanitary standards
Handicrafts	40%	Moradabad, Jodhpur, Jaipur, Saharanpur	Vietnam, China, Turkey, and Mexico	MSME dominated sector with limited ability to absorb tariff shocks
Furniture and Bedding	44%	Jodhpur, Moradabad	Vietnam, Malaysia, China, and Indonesia	High exposure due to strong U.S. dependence and competition from East Asian producers

Source: Author's compilation with inputs from (GTRI, 2025).

6. Strategic policy interventions for strengthening India's trade resilience amid adverse tariff measures- Recommendations

To respond to the Trump administration's tariffs, India requires a multi-pronged strategy that integrates changes in the global economic landscape and aligns with domestic industrial capability, which is precise and sustainable. To prevent the rising escalation, India needs to expand cooperation through dialogue and diplomacy, supported by 'strategic decoupling' and 'supply chain diversification.' India can strengthen trade resilience by pursuing "coalitional multilateralism" as propounded by (Kim, 2025) forming small, issue-specific coalitions that allow flexible rule-making, open accession, and WTO compatibility, rather than relying on tariff-exemption bargaining or rigid mega-regional agreements. There is a need to focus on regional integrations. India should focus on enhancing its export competitiveness in export-driven sectors by streamlining schemes such as export promotion schemes, and incentivization mechanisms for exporters. Improve the domestic manufacturing architecture, and focus on to lessening the trade deficit with the U.S. by diversifying its export destinations and strategically reducing the duties on products of U.S. interest (calibrated concessions). Targeted incentives along with skill development could be provided to priority sectors such as textiles, leather and pharmaceuticals. At the domestic level, fostering the growth of multi-sectoral firms operating across both central and state jurisdictions is essential to provide sustained impetus to economic growth, enhance scale competitiveness, and improve India's capacity to absorb external trade shocks. India should diversify its product base by diversifying the export of intermediate goods to the U.S., where China is losing the share and also diversify the destinations. To strengthen trade resilience amid this volatility, it is imperative to accelerate the conclusion of FTAs with possible countries while simultaneously deepening and broadening existing FTAs with key partner countries. Parallelly, India should actively explore expanding trade engagement with BRICS economies to diversify export markets and reduce over-dependence on U.S.

7. Conclusion

This paper focuses on the changing dynamics of India against the backdrop of the U.S. escalated tariff war, particularly in 2025. The paper analysed the distinct features of the renewed tariff policies in the second term of Donald Trump. In addition to this, the work also incorporated a regression approach to forecast the changes in EXIM between the two countries. The results offered insightful findings, contemplating that the GSP withdrawal (policy change) in 2019 didn't impact India's overall export momentum; this provides that the Indian economy is resilient to external shocks. Furthermore, the article analyses the sectoral vulnerabilities faced by the critical export-destined sector of India, and the findings suggest that tariff shocks result in differing outcomes across sectors' export performance. Labor-intensive sectors were hit the hardest, while sectors even exempt from tariffs showed a decline in overall performance. The imposition of tariffs had wide-ranging effects not only on the U.S. economy but also on its trading partners, leading to changes in global supply chains, market access, and economic strategies. India, as one of the largest emerging economies, was deeply impacted by these trade measures. India's economic growth, heavily reliant on its export sector, experienced fluctuations as tariffs altered the competitiveness of Indian goods in the U.S. market. As a major exporter, India faced both challenges and opportunities. The overall impact of the Trump administration's tariff policy on the Indian economy was multifaceted (Das, 2025).

8. Limitations and Future Scope

The inherent limitation of this paper is that it focused on the adverse impact of tariff policy but overlooked the short-term benefit enjoyed by the U.S.; tariffs protect domestic industries and generate instant revenues, and in the long term it helps in to reduce the trade deficit. And the scope of the study in limited to two countries only, and against this backdrop, the present study undertakes an early-stage policy analysis, drawing on data collected immediately following an unexpected policy shock. Although the findings offer timely and actionable insights for policy-makers operating in a rapidly evolving trade environment.

Future studies could focus on the role of multilateral institutions, such as the WTO, in the wake of rising protectionism and how these institutions can navigate trade challenges. Moreover, studies can focus on trade agreements as a solution for deteriorating trade deficits. A more in-depth analysis of specific industries and the varying interconnectedness in the global value chain can be performed. Tariffs' adverse impact on duty-exempt sectors can also be analysed. Furthermore, studies can focus on the brighter side of the U.S. trade policy and creative destruction. Macroeconomic implications can also be added, such as GDP and employment.

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Data Availability Statement

The data supporting this study's findings can be obtained from the corresponding author upon reasonable request.

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