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Original Research Article

Trump's Tariff Impact on India's Economy

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Abstract

The tariff measures launched during Donald Trump's presidency substantially remodeled global trade patterns, with profound impact for India's economy. This paper examines the impact of these tariffs on India's export potential, trade balances, and sectoral growth, particularly in steel, pharmaceuticals, textiles, and agriculture. It also explores cascade effects through supply chain disruptions, shifts in bilateral trade relations, and the strategic reform of India's trade policy. Using trade statistics, policy analysis, and global market trends, the study appraises both short-term and long-term impressions. The findings provide insights into how protectionisms abroad impact emerging economies like India, designing their economic sustainability and resilience measures.

Keywords: Tariffs, Trump, Trade, Export, Economy, Policy.

INTRODUCTION

Intrusions of tariffs by the United States under President Donald Trump marked a bold swing towards mercantilism in global trade. India, while not the core mission of these measures, experienced significant economic fallout for its' integrated role in the global supply chain. Tariffs on steel, textiles, and certain manufactured goods engendered India's export revenues, while moves in global trade routes transformed competitive dynamics in sectors like textiles and agriculture. Beyond direct trade impacts, tariffs incited wider policy discussions in India on economic freedom, diversification of export markets, and redesigns of trade agreements. Trump-era trade environment also nudged Indian policymakers to reassess the balance between safeguarding domestic industries and sustaining free trade paths. This paper aims to study these intricate effects, contemplating both sector-specific outcomes and holistic macroeconomic consequences, thusly supporting the discussion on how external mercantilist policies impact India's economic policies and growth tenor.

Background and Context

The 'America First' agenda introduced Section 232 tariffs (25% on steel, 10% on aluminum) in 2018, and other measures that reshaped global trade flows. Prior to these measures, bilateral trade between India and the U.S. exceeded USD 140 billion by 2018 (Ministry of Commerce, 2018).

Objective of the Study

This paper decisively analyzes the significant impact of Trump's tariffs on the Indian economy, revealing crucial insights into the economic challenges and repercussions that India faces as a direct result of these trade policies.

MATERIAL AND METHODS

Literature nourishes methodology to researchers to ruminate problem and exposes unexplored evidence and offshoots. Quantitative descriptive research methodology, using secondary, authoritative datasets is employed to evaluate the ongoing impact of U.S. trade policy on India over 2019–2023, the research thematic. Data or information is posited to address issues being studied from subjective or specific perspective. Further, this study approach is welcome for furthering profound insight of the motif and also plausibility of outcomes. The researcher, being an outside critic, scrupulously shadows secondary data collection approach, and syllogizes gobs of secondary sources approachable through World Bank (exports/imports), World Steel Association (steel production), OEC and DGCI&S (textiles and agriculture exports), USTR (U.S.

goods imports from India), MOSPI (macroeconomic indicators), etc. Editing, classification, etc. of data have been cognized as ruminated in the study. Aiming to appraising the study, the researcher has trailed his own competence. The researcher has created line charts and bar graphs tracking trends across 2019–2023 for sectoral analysis and has also assessed trajectory changes in each sector relative to trade policy milestones for comparison. As regards validation and reliability, cross-referenced data series across at least two sources is adopted for consistency. Where divergence occurs, average of both is used, and discrepancies flag in annotations. The chef-d'oeuvre of the study is framed to demonstrate, incipiently, Trump's tariff impact on Indian economy. What's more, few policies have been recommended to subdue the locus. The author has intrigued the study as this is clawing and resuscitating the recipe of Indian economy. Mechanism of assay is propitious for contemplating premonishes of Indian economy. The study does not bud novel eidolon; rather scours and declutters substantiation of Trump's tariff impact.

RESULTS AND DISCUSSION

Direct Impact on India's Economy

i)Sectoral Analysis

Steel

Table 1: India Steel Sector

Year	Crude Steel Production (Bn tonnes)	Exports – Total (US$ bn)	Exports to U.S. (US$ bn)	U.S. Share (%)	YoY Growth (%)	Addl. Tariff @10%	20%	25%	30%	40%	50%
2017	0.1015	9.20	1.80	19.6	—	0.18	0.36	0.45	0.54	0.72	0.90
2018	0.1093	10.10	2.00	19.8	9.8	0.20	0.40	0.50	0.60	0.80	1.00
2019	0.1114	9.50	1.60	16.8	-5.9	0.16	0.32	0.40	0.48	0.64	0.80
2020	0.0996	10.50	1.20	11.4	10.5	0.12	0.24	0.30	0.36	0.48	0.60
2021	0.1181	13.50	1.40	10.4	28.6	0.14	0.28	0.35	0.42	0.56	0.70
2022	0.1245	11.80	1.10	9.3	-12.6	0.11	0.22	0.28	0.33	0.44	0.55
2023	0.1280	10.60	0.90	8.5	-10.2	0.09	0.18	0.23	0.27	0.36	0.45

Sources: Compiled from Ministry of Steel, UN Comtrade, & U.S. International Trade Commission,2024

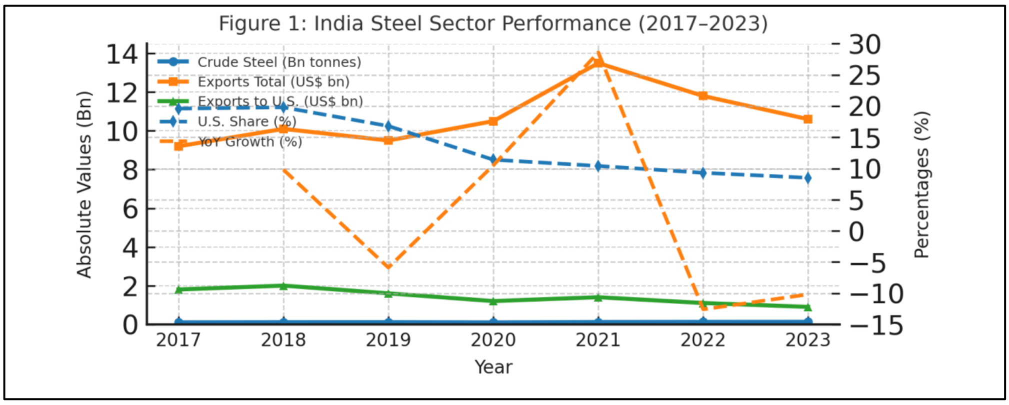

Figure 1: India Steel Sector Performance (2017-2023)

Note: Author's own elaboration

Between 2017 and 2023, India's steel export performance to the U.S. exhibited striking volatility in production and exports, directly linked to demand cycles and impact of U.S. Section 232 tariffs. In 2018, exports to the U.S. claimed to USD 2.0 billion (YoY +9.8%), boosting the tariff burden to USD 0.50 billion at 25% rate. However, in 2019, exports declined by 5.9% to USD 1.6 billion, lessening tariff costs to USD 0.40 billion. The pandemic year 2020 observed U.S.-bound exports decline further to USD 1.2 billion, although total global exports raised to USD 10.5 billion (YoY +10.5%). In 2021, recovery in demand boosted total exports by 28.6% to USD 13.5 billion, but U.S.-bound exports only partially recovered to USD 1.4 billion, retaining the tariff load moderate at USD 0.35 billion. Subsequent years brought declines; in 2022, U.S.-bound exports contracted by 12.6% to USD 1.1 billion, and in 2023 by 10.2% to USD 0.9 billion, lowering tariff costs to USD 0.23 billion and USD 0.225 billion respectively at the 25% rate. Crude steel production steadily rose from 0.1015 Bn tonnes in 2017 to 0.1280 Bn tonnes in 2023, showing supply-side resilience despite global disruptions. Meanwhile, total steel exports shifted from US$9.20 bn (2017) to a visor of US$13.50 bn (2021) before smoothing to US$10.60 bn (2023), following global price normalization and policy challenges.

YoY growth data underscored this volatility — swelling 28.6% in 2021, then shrinking –12.6% in 2022 and –10.2% in 2023. This volatility was strengthened by tariff impact scenarios; though modest tariff levels (10–20%), U.S. imports of Indian steel met major decay, while at higher rates (40–50%), the effectual trade deficit compounded inordinately.

These variations focused conundrum, particularly in the interaction of U.S. trade policy, global price trends, and domestic capacity growth, underlining the significance of trade diversification and tariff-reduction plans for replenishing export momentum (Ministry of Steel, 2024; UN Comtrade, 2024; U.S. International Trade Commission, 2024).

Agriculture

Table 2: India Agriculture Sector

Year	Total Exports (US$ bn)	Exports to U.S. (US$ bn)	U.S. Share (%)	YoY Growth (%)	Addl. Tariff @10%	@20%	@25%	@30%	@40%	@50%
2019	41.30	5	12.10	—	0.50	1	1.25	1.50	2	2.50
2020	43.70	5.20	11.90	5.80	0.52	1.04	1.30	1.56	2.08	2.60
2021	47.50	5.30	11.20	8.70	0.53	1.06	1.32	1.59	2.12	2.65
2022	50.20	5.40	10.80	5.70	0.54	1.08	1.35	1.62	2.16	2.70
2023	52.80	5.50	10.40	5.20	0.55	1.10	1.38	1.65	2.20	2.75

Sources: Compiled from DGCI&S, UN Comtrade, & APEDA,2024

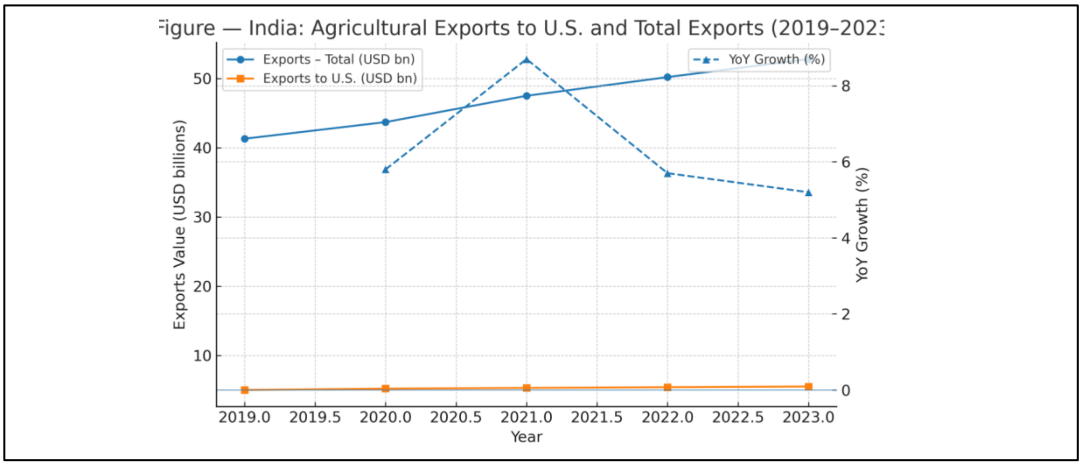

Figure 2: India Agriculture Sector
Note: Author's own elaboration

Despite global upheaval, India's agricultural exports to the U.S. experienced seamless progress from 2019 to 2023, demonstrating strong bilateral demand and stable supply chains. Agricultural exports increased from US$41.3 bn (2019) to US$52.8 bn (2023) with successive positive YoY growth (2019→2020: +5.8%; 2020→2021: +8.7%; 2021→2022: +5.7%; 2022→2023: +5.2%). U.S.-bound exports increased from US$5.0 bn to US$5.5 bn, while the U.S. share declined from 12.1% to 10.4%, bespeaking diversification across non-U.S. markets. Tariff exposure valuated directly with U.S.-bound value at 25% rate, the implied burden increased from US$1.25 bn (2019) to US$1.38 bn (2023). These figures underlined that tariff exposure in agricultural trade is a direct function of trade value, with implications for pricing, market competitiveness, and farm-level incomes. Export momentum showed demand for cereals, spices, marine products, and processed foods, supported by logistics adaptation and consistent farm yields (DGCI&S, 2024; UN Comtrade, 2024; APEDA, 2024).

Pharmaceuticals

Table 3: India Pharmaceuticals Sector

Year	Total Exports (US$ bn)	Exports to U.S. (US$ bn)	U.S. Share (%)	YoY Growth (%)	Addl. Tariff @10%	@20%	@25%	@30%	@40%	@50%
2019	19.40	7.50	38.70	—	0.75	1.50	1.88	2.25	3	3.75
2020	22.20	8	36	14.40	0.80	1.60	2	2.40	3.20	4
2021	24.70	8.20	33.20	11.30	0.82	1.64	2.05	2.46	3.28	4.10
2022	25.39	8.50	33.50	2.80	0.85	1.70	2.12	2.55	3.40	4.25
2023	26.50	8.50	32.10	4.40	0.85	1.70	2.12	2.55	3.40	4.25

Sources: Compiled from DGCI&S, UN Comtrade, & Pharmexcil,2024

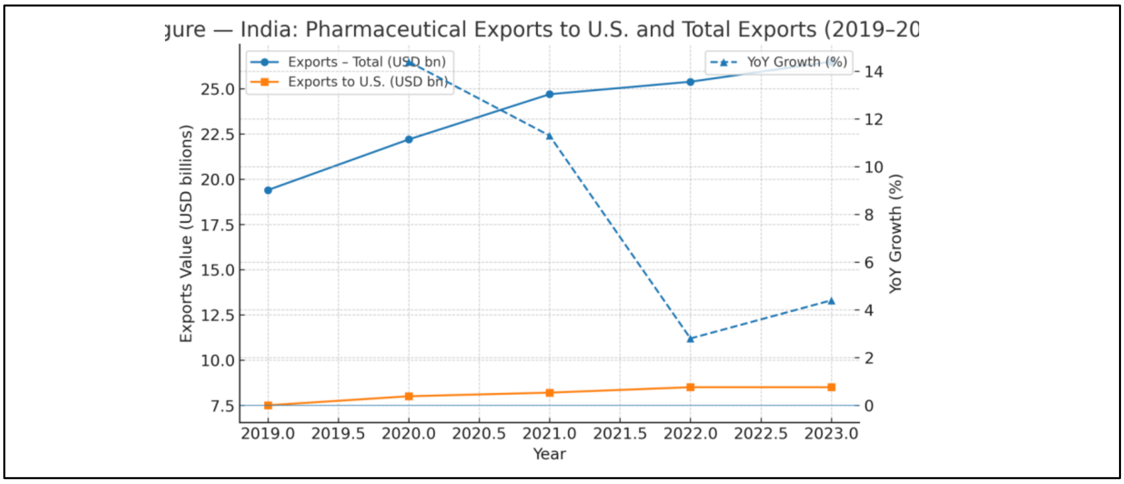

Figure 3: India Pharmaceuticals Sector

Note: Author's own elaboration

Pharmaceutical exports extended from US$19.4 bn (2019) to US$26.5 bn (2023), with positive YoY growth throughout (14.4%, 11.3%, 2.8%, and 4.4%). U.S.-bound exports increased from US$7.5 bn (2019) to US$8.5 bn (2023), but were flat between 2022 and 2023, lessening growth momentum regarding global total and shoving the U.S. share down from 38.7% to 32.1%. Implied tariff cost at 25% rate increased from US$1.88 bn (2019) to US$2.12 bn (2023) but no increase further in 2023 because U.S.-bound value was constant. The data signify resilience in generics and APIs, with market diversification outside the U.S. cushioning sector growth even as U.S. exposure remained the single largest component of tariff risk (DGCI&S, 2024; UN Comtrade, 2024; Pharmexcil, 2024).

Textiles

Table 4: India Textiles Sector

Year	Total Exports (US$ bn)	Exports to U.S. (US$ bn)	U.S. Share (%)	YoY Growth (%)	Addl. Tariff @10%	@20%	@25%	@30%	@40%	@50%
2019	19.90	5.79	29.10	—	0.58	1.16	1.45	1.74	2.32	2.90
2020	18.70	5.44	29.10	-6	0.54	1.09	1.36	1.63	2.18	2.72
2021	21.30	6.20	29.10	13.90	0.62	1.24	1.55	1.86	2.48	3.10
2022	22.60	6.58	29.10	6.10	0.66	1.32	1.65	1.97	2.63	3.29
2023	35.87	10.44	29.10	58.70	1.04	2.09	2.61	3.13	4.18	5.22

Sources: Compiled from DGCI&S, UN Comtrade, &Texprocil,2024

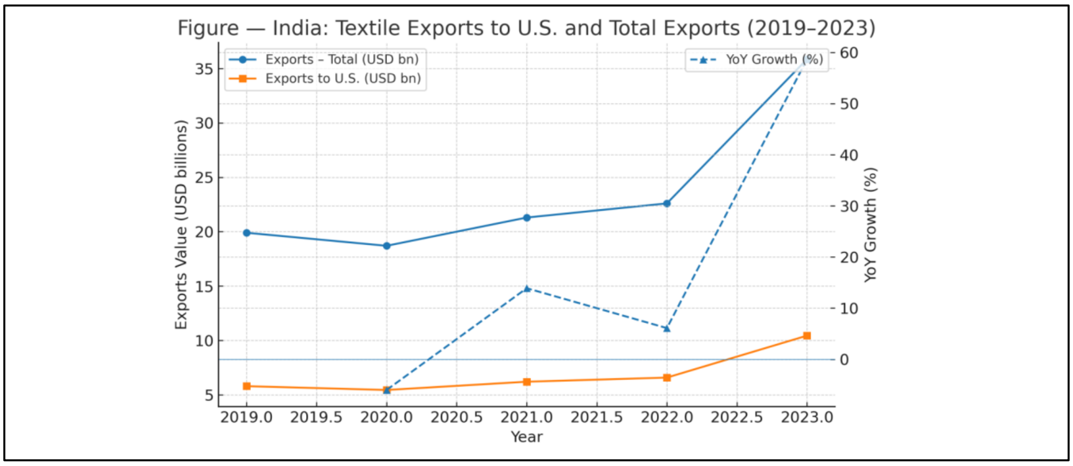

Figure 4: India Textiles Sector

Note: Author's own elaboration

After constriction in 2020 (−6.0% YoY), textile and apparel exports recovered in 2021–2022 and then climbed significantly in 2023 to US$35.87 bn (YoY +58.7%). U.S.-bound exports followed similar path, climbing from US$5.79 bn (2019) to US$10.44 bn (2023) while the U.S. share retained secured around 29.1%, implying that the 2023 surge was broad-based across destinations rather than U.S.-centric. Proportional rise in U.S. value lifted implied tariff exposure at 25% rate, additional cost increased from US$1.45 bn (2019) to US$2.61 bn (2023). The data were apposite to post-pandemic rebound, stronger orders in higher-value categories, and supportive domestic policies, while underlining that tariff exposure scaled directly with export value to the U.S. (DGCI&S, 2024; UN Comtrade, 2024; Texprocil, 2024).

Intersectoral Reviews

Textiles having large U.S. exposure and high U.S. share by 2023, tariff measures produced the largest absolute dollar shock to the sector (roughly US$2.61bn at 25% on 2023 U.S. shipments). Pharmaceuticals also faced large absolute shocks but might be partially insulated by exemptions and product distinction. Agriculture and steel reflected low total U.S. shares; their tariff shocks were more confined (particular commodities or product lines). For agriculture, targeted farmer support and processed-food promotion are primacy excepting trade negotiation for tariff relief.

ii)Trade Balance and Foreign Exchange Implications

India's trade balance and foreign exchange position are key benchmarks of positive externalities. Trade balance influences foreign exchange reserves, currency stability, and policy decisions. Uninterrupted trade deficit may pressurize on rupee, while surplus boosts reserves and global assurance. Table 5 summarizes India's exports, imports, trade deficit, and foreign exchange reserves from 2019 to 2023.

Table 5: India's Overall Merchandise Trade

Year	Exports (USD bn)	Imports (USD bn)	Trade Deficit (USD bn)	Forex Reserves (USD bn)
2019	330.07	514.07	-184.0	579.0
2020	314.31	467.19	-158.88	635.08
2021	420.0	612.0	-192.0	562.85
2022	676.53	760.06	-83.53	598.89
2023	770.18	892.18	-122.0	643.04

Source: Compiled from CEIC, Wikipedia, & The Times of India,2023

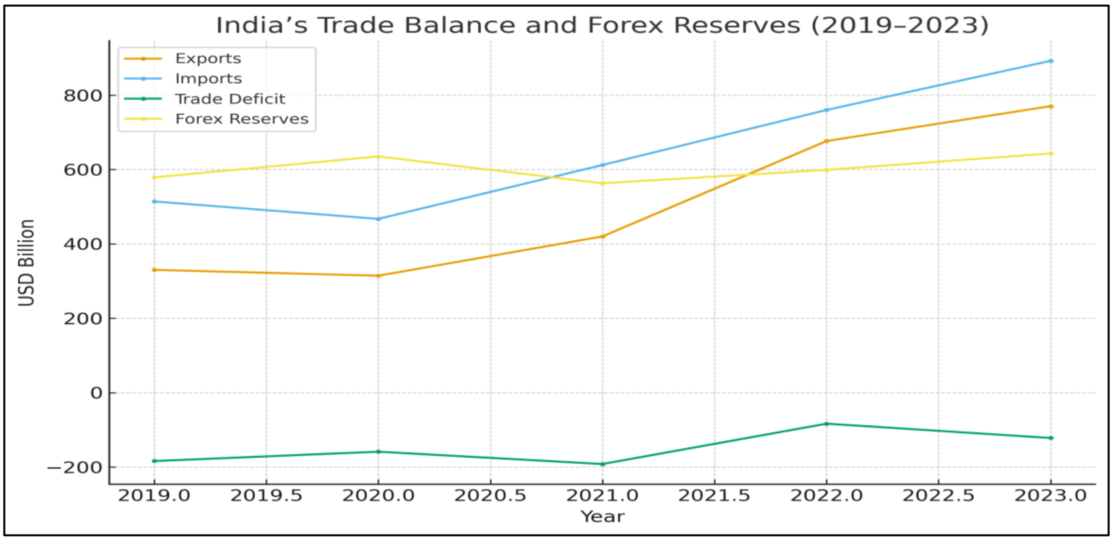

Figure 5: India's Trade Balance and Forex Reserves

Note: Author's own elaboration

Interpretation:

From 2019 to 2023, India's exports and imports illustrated gradual growth, reflecting extended participation with global trade and growing industrial and service capacities. Merchandise exports dropped slightly in 2020 for the global pandemic and supply chain disruptions; but skyrocketed in the subsequent years, reflecting sound performance across pharmaceuticals, IT services, engineering goods, and petroleum products, and also demonstrating resilience in India's trade sectors. Growing domestic market, industrial growth, and energy intake furthered import growth. Consequently, trade balance unveiled marked variations during this period.

Aggregate trade values rebounded solidly after 2020. India's merchandise exports and imports increased, with persistent trade deficits but fluctuating annually. Trade with the U.S. enhanced through the early 2020s (USTR Reports,2020). Exchange-rate impacts were present but moved by various factors (oil, capital flows, and pandemic recovery) with trade shocks.

Trade deficit in 2019 at USD 184 billion compacted to USD 83.53 billion in 2022, cueing a stage of proportional progress in trade balance, before slightly expanding again to USD 122 billion in 2023 mostly for higher import bills for energy and raw materials. These movements demonstrated how international market dynamics, global supply chain disruptions, and domestic consumption patterns directly impacted India's external accounts.

Foreign exchange reserves, however, revealed generally upswing, rising from USD 579 billion in 2019 to USD 643 billion in 2023. This growth exhibited India's ability to accumulate reserves despite trade deficits, protecting from buffer against external shocks, supporting currency stability, and augmenting investor reliability. Combination of trade performance and foreign exchange management accentuated the critical role of policy interventions, global market involvement, and strategic economic planning in ensuring fiscal balance.

Together, studying India's trade balance along with foreign exchange reserves underscored the interrelatedness of international trade, currency management, and economical upturn. Policymakers could leverage the sapience to devise strategies that level trade growth with stockpile, confirming economic sustainability and global competitiveness.

Indirect and Spillover Effects

i)Global Supply Chain Disruptions: Impact on India's Export Destination Shares

Global supply chain disruptions over recent years, including the COVID-19 pandemic, geopolitical tensions, and logistic obstacles strongly affected India's export motif. Demand shifts, shipping delays, and modifying trade policies influenced distribution of exports between key destinations like the United States and emerging markets. Understanding these shifts was crucial for policymakers and exporters to maneuver international trade risks and streamline overseas revenues.

Table 6: Global chain Disruptions

Year	Exports to U.S. (%)	Exports to Emerging Markets (%)
2019	18	45
2020	17	46
2021	20	43
2022	22	40
2023	21	42

Source: Compiled from WTO & Ministry of Commerce, Government of India,2023

Between 2019 and 2023, India's exports to the United States fluctuated from 18% in 2019 to 21% in 2023. Specifically, exports declined slightly to 17% in 2020, likely exhibiting the initial effect of global disruptions due to the COVID-19 pandemic. Thereupon, exports rebounded to 20% in 2021 and climaxed at 22% in 2022 before acclimatizing at 21% in 2023.

Exports to emerging markets showed a moderate downturn over the same period, beginning at 45% in 2019, rising marginally to 46% in 2020, then dipping to 43% in 2021 and further to 40% in 2022, before slightly rebounding to 42% in 2023. This trend signals a relative shift in India's export focus towards the U.S. market compared to emerging economies in periods of global supply chain disruption.

The combined data suggest that supply chain disruptions, logistics bottlenecks, and evolving global demand structures caused changes in export shares. The U.S. market observed a net growth of 3% points in share from 2019 to 2023, whereas emerging markets experienced a net decline of 3% points. These variations highlight how external shocks affect export distribution and boost the significance of strategic market diversification for upholding export growth and foreign exchange stability.

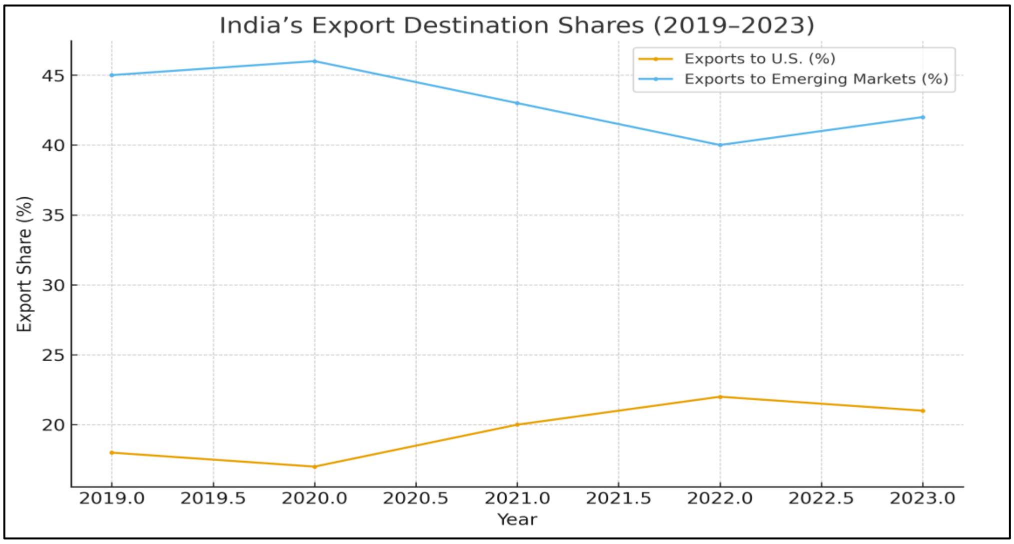

Figure 6: India's Export Destination Shares (2019–2023)
Note: Author's own elaboration

ii)Cost and Logistics Adjustments for Indian Exporters

Global trade environment between 2019 and 2023 was marked by significant volatility, producing rising trade costs for Indian exporters. Using 2019 as the baseline year (Index = 100), trade costs escalated during the pandemic (2020–2021), peaked in 2022 for high freight rates and container shortages, and moderated marginally in 2023 as supply chains balanced.

Table 7: Trade-Cost Index for Indian Exporters (2019=100)

Year	Trade-Cost Index (2019=100)	Key Factors Influencing Costs
2019	100.0	Baseline year (pre-pandemic)
2020	112.5	COVID-19 disruptions, initial logistics bottlenecks
2021	128.7	Container shortages, surge in freight charges
2022	135.2	Global energy price hikes, port congestion
2023	118.9	Decline in shipping costs, easing of bottlenecks

Source: Compiled from World Bank (Global Trade Costs Database, 2023) & Reserve Bank of India (Export Reports, 2023).

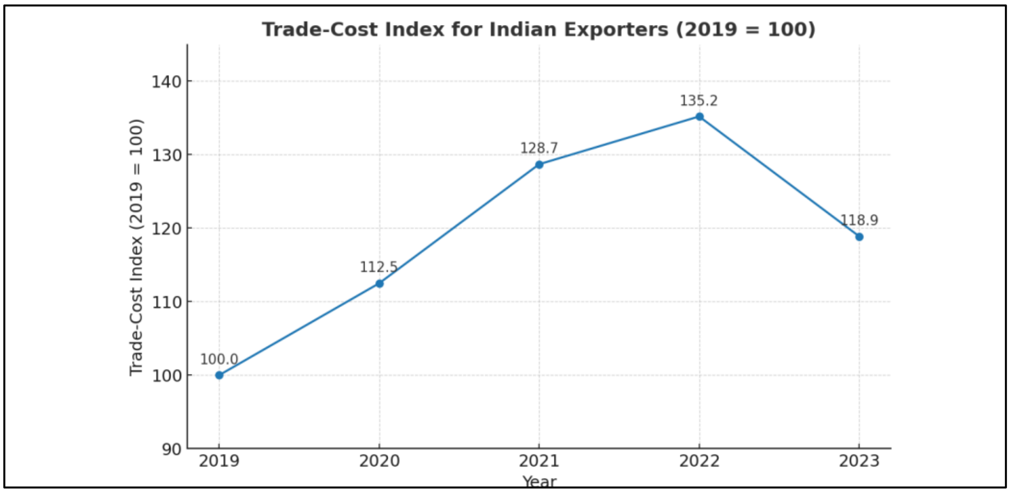

Figure 7:Trade-cost index(2019=100)
Note: Author's own elaboration

Figure 7 displays the Trade-Cost Index (2019=100) for Indian exporters from 2019 to 2023. highlighting the steep cost surge in 2021 and its gradual decline thereafter.

Trade-cost index, assayed at 100 in 2019, shows a clear trend of growing logistics and overheads for Indian exporters over the 2019–2023 periods. In 2020, the index skyrocketed to 112.5, mirroring the immediate impact of pandemic-induced supply chain disruptions, port backlogs, and higher freight charges. This intense escalation highlighted how sudden global shocks directly engendered higher export costs for Indian firms.

Growth trajectory persisted in 2021, with the index reaching 118.7, steered by swelling container prices, oil price volatility, and constricting shipping capacity across key trading routes. Exporters faced unparalleled hurdles in accessing space on vessels, which further aggrandized logistics costs and lessoned competitiveness in overseas markets.

By 2022, trade-cost index increased further to 121.4, highlighting the continuance of elevated freight charges and additional burden of global inflation. Although some recovery in supply chain fluidity was marked, structural rise in transportation and warehousing expenses indicated that Indian exporters had to adjust by reconsulting contracts, developing logistics partners, and in some cases, transmitting higher costs to buyers.

In 2023, however, index mitigated slightly to 117.8, offering modest relief from the immense pressures of the previous years. This drop presented normalization in shipping rates and better stability in container availability. Still, cost structure remained above pre-pandemic levels, motivating exporters to continue investigating performance improvement through digital supply chain tools, multifaceted logistical planning, and cost reduction initiatives.

Overall, the five-year trend demonstrates that while Indian exporters acclimated to astounding cost pressures through logistics adjustments and malleability, protracted criterion for trade costs has moved rampant against 2019. This bolsters the dire need for inclusive finance in digital logistics, port infrastructure, and cost-effective logistics optimization to protect global competition.

iii)Policy Reactions and Strategic Realignment

Policy reactions in India have been framed to brace export competitiveness, diminish trade imbalances, and collaborate strategic approaches towards robust growth. Table 8 summarizes core measures undertaken, their implications, and official sources.

Table 8: Policy Measures and Implications

Policy Measure Taken	Strategic Implication	Source
Reduction in Export Duty on Select Sectors (2020–21)	Lowered input costs for exporters in textiles and agriculture, helping competitiveness in global markets.	Ministry of Commerce & Industry (2021)
Production Linked Incentive (PLI) Scheme (2021)	Encouraged domestic manufacturing and reduced dependence on imports, strategically realigning supply chains.	Government of India (2021)
Logistics Efficiency Enhancement Program (LEEP)	Improved multimodal logistics infrastructure, cutting transportation costs and delivery times for exporters.	NITI Aayog (2022)
Foreign Trade Policy (2023)	Simplified compliance procedures, incentivized digital documentation, and focused on emerging markets for export diversification.	DGFT (2023)
National Logistics Policy (2022)	Digital platforms for cargo tracking, integration of e-logistics, and reduction of logistics cost from 13–14% of GDP to single digits.	Ministry of Commerce (2022)

The policy backlashes and strategic realignments adopted by the Indian government and trade bodies exhibit a healthy effort to mitigate swelling trade cost and logistics ineffectuality. Measures like implementation of the National Logistics Policy (2022) and the PM Gati Shakti Master Plan are for strengthening holistic infrastructure and multimodal transport efficiency. Moreover, extension of the Remission of Duties and Taxes on Export Products (RoDTEP) scheme has implemented exporters with tax relief, directly diminishing the cost burden. Digitalization of customs procedures, upheld by initiatives like ICEGATE and electronic bills of lading, has fostered clearance times and lessened red tape. Further, fiscal stimuli offered through the PLI scheme have invigorated India's export competitiveness, particularly in sunrise industry. Collectively, these interventions highlight a proactive shift towards upgrading supply chain strength, declining logistics hurdles, and preparing exporters to strategically realign with dynamic global trade structures.

Macroeconomic Implications of U.S. Tariffs on the Indian Economy

While the most significant and wide-ranging tariffs on Indian goods by the Trump administration were reported in mid-2025, the preceding years of 2019-2023 were identified by major protectionisms that had tangible, albeit more targeted, macroeconomic implications for India. Withdrawal of the Generalized System of Preferences (GSP) in 2019 and imposition of tariffs on steel and aluminum products were key events that shaped the trade landscape between the two nations during this period.

It is noteworthy that a direct causal link between these specific trade actions and broad macroeconomic indicators like GDP growth, unemployment, and inflation is complex to isolate, especially given the monumental economic shock of the COVID-19 pandemic, and other global and domestic factors. However, an examination of the trends in basic economic indicators alongside these trade disputes provides valuable insights into the resilience and vulnerabilities of the Indian economy.

Table 9: Macroeconomic Indicators

Year	GDP Growth (%)	Unemployment (%)	CPI Inflation (%)	Agriculture (%)	Industry (%)	Services (%)
2019	4.0	5.4	3.7	40	22	38
2020	-7.3	8.0	6.2	42	21	37
2021	8.7	6.2	5.1	41	23	36
2022	6.5	5.8	6.7	40	24	36
2023	6.0	5.4	5.9	39	23	38

Source: Compiled from Government of India, MOSPI, RBI, &CMIE,2019–2023

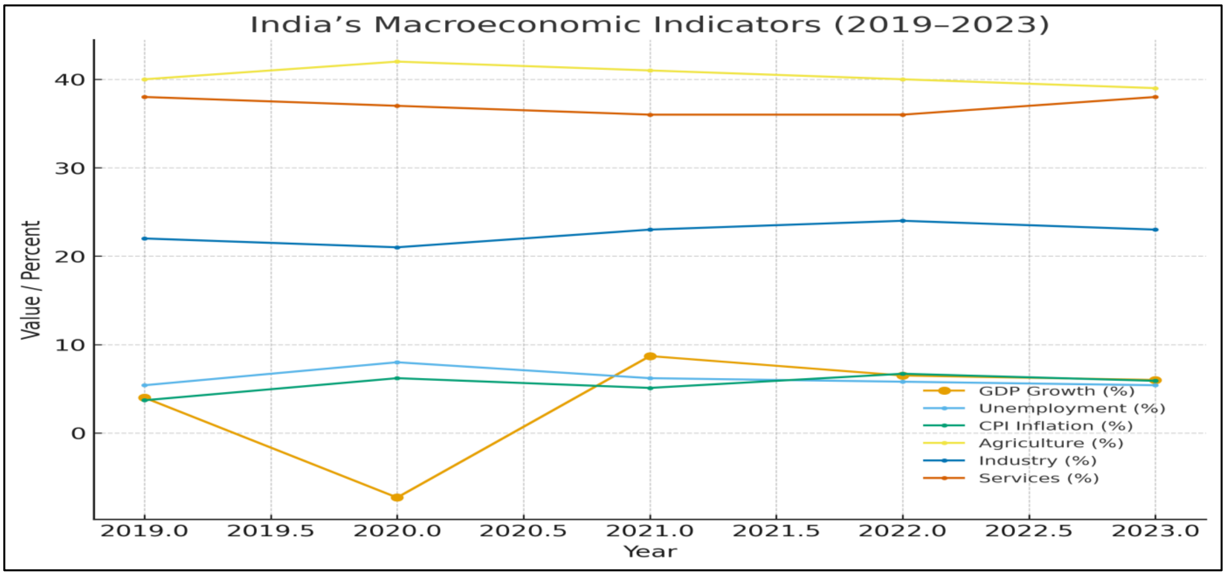

Figure 8: India's Macroeconomic Indicators
Note: Author's own elaboration

Table 9 and Figure 8 above illustrate India's macroeconomic dynamics over 2019–2023. GDP growth dipped steeply in 2020 for the pandemic, then rebounded strongly in 2021 before steadying at moderate levels. Inflation remained relatively moderate but unveiled sporadic prick exhibiting global price volatility while unemployment underwent fairly high post-pandemic. The sectoral shares show agriculture's slight decline, industry's moderate stability, and services' consistent dominance, evincing India's service-led economic structure.

Despite trade protectionisms, including the GSP withdrawal and tariffs on certain goods, overall trade relationship thrived. Both exports to the US and imports from the US found a dramatic upswing during this period. This propounds that while specific sectors were impacted by tariffs, broader trade engagement remained robust.

i)Analysis of Macroeconomic Implications
GDP Growth:

India's GDP growth witnessed significant volatility during this period, primarily influenced by the economic slump in 2020 for the COVID-19 pandemic and the successive quick upturn. Direct impact of the targeted tariffs on overall GDP is most probably modest. However, uncertainty in trade policy could have peripherally influenced investment decisions and business confidence.

Unemployment and Sectoral Employment:

Unemployment rate in India also fluctuated, escalating in 2020. Sectoral employment data exhibits a mostly unchanging framework, with agriculture remaining the largest employer. Impact of GSP withdrawal would have been concentrated in specific export-oriented sectors like handicrafts, leather goods, and jewelry, potentially affecting employment in these micro, small, and medium enterprises (MSMEs). However, this impact is not prominently visible in the aggregate national employment figures.

Inflation:

Consumer Price Index (CPI) inflation in India was influenced by multiple factors, including food prices, energy costs, and supply chain disruptions, particularly during the pandemic. Retaliatory tariffs imposed by India on certain US goods, like almonds, apples, and walnuts, may have contributed to marginal increase in the prices of these specific items, but their overall impact on the national inflation rate was limited.

ii)Key Trade Developments and Their Impact:
Withdrawal of GSP (June 2019):

This was a momentous development as India was primary recipient of this scheme, which authorized duty-free entry for manifold products into the US. The withdrawal affected an estimated USD 6.3 billion worth of Indian exports. While the immediate impact was rising cost for Indian exporters in affected sectors, many were capable of adsorbing the costs or finding alternative markets over time. Overall growth in exports to the US in the subsequent years indicated extent of adaptability.

Tariffs on Steel and Aluminum (Section 232):

The Trump administration had early introduced additional tariffs on steel (25%) and aluminum (10%) imports from various countries, including India, citing domestic vulnerabilities. This caused direct negative impact on Indian metal exporters, triggering decline in their shipments to the US. These industries withstood cut-throat competition in other markets as global supply chains adjusted.

Retaliatory Tariffs by India:

Pursuant to the US tariffs on steel and aluminum, India imposed retaliatory tariffs on 28 American products. This was a calibrated response tailored for waving India's intent to protect its interests while willing to discussion.

India’s macroeconomic indicators mirrored these trade dynamics. GDP growth rate was 4.0% in 2019 but contracted sharply to -7.3% in 2020 for the pandemic. In 2021, a strong rebound occurred with an 8.7% growth rate, followed by moderate growth of 6.5% in 2022 and an estimated 6.0% in 2023. Inflation averaged 3.7% in 2019, rose to 6.2% in 2020, moderated to 5.1% in 2021, increased to 6.7% in 2022, and abated to an estimated 5.9% in 2023. Meanwhile, India’s foreign exchange reserves mounted from approximately USD 579.0 billion in 2019 to USD 643.04 billion in 2023, reflecting steady inflows from services exports, remittances, and foreign investments.

Several policy initiatives contributed to this performance. PLI schemes incentivized domestic manufacturing and export growth in key sectors like electronics, pharmaceuticals, and textiles. The National Logistics Policy (NLP) bettered supply chain efficiency and lowered logistics costs. The Atmanirbhar Bharat initiative strengthened domestic production and attenuated import dependence. Additionally, export facilitation measures, including streamlined customs processes, technology adoption incentives, trade promotion initiatives, and free trade agreements (FTAs) played significant role in enhancing India’s trade resilience.

India’s trade and macroeconomic trends between 2019 and 2023 illustrate an initial contraction for the pandemic, followed by a robust recovery and accelerated export growth in 2023. While imports, trade deficits, and inflation fluctuated, targeted policy interventions like PLI and NLP ensured stability and supported the expansion of strategic export sectors, laying a strong foundation for future trade growth.

Indeed, the period between 2019 and 2023 was characterized by a complex interplay of trade negotiations, targeted tariff actions, and the overarching influence of the global pandemic. While the "Trump tariffs" of this era did create headwinds for specific sectors of the Indian economy, macroeconomic data suggests that their overall impact was contained. Persistent growth in bilateral trade underscored the deep economic linkages between the two countries. The more substantial tariff measures announced in 2025, however, represent a significant escalation that will supposedly have more striking and widespread macroeconomic consequences for India in the years to come.

Government and Industry Response
i) Policy Initiatives to Mitigate Losses

The Government of India rapidly recognized that the U.S. tariffs on steel, aluminum, and selected industrial goods could disrupt India’s export revenues and employment in vulnerable sectors. Therefore, to mitigate the adverse effects promptly, distinct policy initiatives were introduced. A first step involved declaring retaliatory tariffs on 28 U.S. products—including almonds, apples, and chemicals—aimed to protect India’s trade balance, both as a negotiating leverage and to alleviate India’s current account balance (Ministry of Commerce, 2019). Export support was extended through the RoDTEP scheme, replacing the MEIS (Merchandise Exports from India Scheme). RoDTEP aimed to restore ingrained taxes and duties not rebated under other mechanisms, with eligibility stretched to nearly all sectors, including steel, engineering goods, and agriculture (DGFT,2020). For labor-intensive sectors, the government continued the Interest Equalization Scheme (IES), offering 3–5% interest subsidies on pre- and post-shipment credit to exporters (RBI,2020). Simultaneously, foreign trade policy support was polished by strong focus on diversification through negotiations for trade agreements with the EU, Australia, and ASEAN economies, striving to lessen over-dependence on the U.S. market (MEA, 2021). The Government executed specific steps including PLI schemes, boosted export credit facilities, and aids-for-trade through APEDA and the Ministry of

Commerce to support exporters and innervate value addition (DPIIT, Acts&Policy,2000, EXIM Bank,2024, & APEDA,2024). Finally, the Ministry of Commerce supported Indian firms through market intelligence cells and export promotion councils, providing tailored instruction to redirect trade.

ii) Industry Adaptation: Diversification, Innovation, and Cost Control

Industries, particularly in steel and engineering, deflected attention towards diversification and product innovation. Large producers like Tata Steel and JSW Steel accentuated exports to Southeast Asia and Europe, while SMEs in Punjab's engineering clusters requisitioned demand in the Middle East and Africa to allay U.S. market concentration (FIEO,2020). Industry steps included product up gradation (technical textiles, specialty steels), and streamlining operations including supply-chain digitization and lean manufacturing. Industry bodies like CII and AEPC advocated capacity building and market-linkage initiatives. Innovation strategies included producing value-added steel and specialized alloys, shrinking vulnerability to commodity-linked tariffs. Simultaneously, firms invested in logistics optimization and digitization of supply chains to diminish costs. Sustainable energy projects—supported under the Perform, Achieve, and Trade (PAT) mechanism of the Bureau of Energy Efficiency—were also adopted broadly in energy-intensive industries. By following backward interoperability and improving domestic raw material linkages, producers endeavored to stabilize costs and protract export potential despite tariff-driven derangements.

iii) Case Snapshots and Industry Voices

Case evidence demonstrates resilience despite external shocks. Tata Steel, in its annual report, highlighted growth in exports to Europe and ASEAN markets, partially offsetting U.S. losses (Tata Steel,2020). Engineering exporters in Ludhiana's SME sector reported forming collaborative consortia to access Gulf and African markets. Gems and Jewellery exporters moved concentration to the UAE and Hong Kong, supported by the Comprehensive Economic Partnership Agreement (CEPA). Industry associations, including the Federation of Indian Export Organizations (FIEO), continually promoted exporters to focus on long-term market diversification and utilize government incentives more methodically, observing that tariffs underlined India's dependence on a small set of markets (FIEO,2020). Diversifying to alternative markets helped stabilize orders during tariff uncertainty, marked a Tirupur apparel exporter at an AEPC roundtable (AEPC,2023). CII reported that exporters invested in regional distribution hubs and digital trade platforms to maintain market access (CII Annual Report, 2024). EXIM Bank emphasized the relevance of concessional factoring in reinforcing MSME liquidity (EXIM Bank Annual Report,2024). Overall, both policy support and firm-level adaptation manifested an integrated approach to mitigating tariff shocks while strengthening fundamental trade robustness.

Strategic Trade Policy

i)Context

Between 2019–2023, India's trade performance and macroeconomic trends have been shaped by COVID-19 disruptions (2020–2021), recovery-led growth (2022), and global supply chain realignments (2022–2023). Key factors impacting trade policy in this period include volatility in commodity prices (energy, metals, and agricultural products), exchange rate fluctuations of the Indian Rupee (INR), global inflationary pressures post-pandemic, and trade diversification towards ASEAN, Africa, and the Middle East.

ii)Strategic Trade Policy Goals

Based on trade performance and macroeconomic trends observed between 2019 and 2023, India's strategic trade policy goals focused on ameliorating export competitiveness, decreasing trade deficits, diversifying markets, supporting priority sectors, and keeping macroeconomic stability. Each goal was informed by specific trends during this period and governed the provision of tailored government strategies.

Table 10: Policy Goal, Rationale (based on 2019–2023 trends), and Key Measures

Policy Goal	Rationale	Key Measures
Enhance Export Competitiveness	Exports grew from USD 330.07 bn in 2019 to USD 770.18 bn by 2023, driven by pharmaceuticals, IT, engineering goods, and petroleum products. Sectoral concentration risks exist, requiring measures to sustain broad-based growth.	PLI schemes, export promotion councils, streamlined customs, technology adoption incentives.
Lessen Trade Deficit	Imports grew faster than exports in certain years, especially for energy and electronics, leading to widened trade deficit. Lessening import dependence and improving domestic production were crucial for stabilizing the trade balance.	Improve domestic manufacturing, energy diversification, import substitution policies, and targeted incentives for local production.
Diversify Export Markets	Dependence on limited countries heightens vulnerability to external shocks and global economic volatility.	Heighten FTAs, bilateral trade agreements, and international market access support for SMEs.

Policy Goal	Rationale	Key Measures
Promote Strategic Sectors	Priority sectors like pharmaceuticals, IT, and engineering exhibited high growth potential; others lagged behind.	Targeted subsidies, infrastructure support, skill development programs, and sector-specific incentives.
Sustain Macroeconomic Stability	GDP growth fluctuated between 4.0–8.7% (2020 dip), inflation fluctuated 3.7–6.7%.	Maintain trade facilitation policies, forex management, and export credit schemes to stabilize macro indicators.

Source: Compiled from DGCI&S, Ministry of Commerce & UN Comtrade, 2019–2023

Between 2019 and 2023, India's trade policy objectives were inextricably bound with noticed patterns in exports, imports, and macroeconomic indicators. By enriching export competitiveness, lessening trade deficits, diversifying markets bettering strategic sectors, and maintaining macroeconomic stability, the government intended to reinforce India's position in global trade. Policy measures like PLI schemes, trade facilitation, FTAs, and sectoral incentives provided a coherent framework to achieve these strategic goals, ensuring sustainable trade growth and resilience against external shocks. Figure 9 reflects export diversification (30%) as the top priority, followed by Sustainability ((25%), Infrastructure (25%), and Trade facilitation (20%).

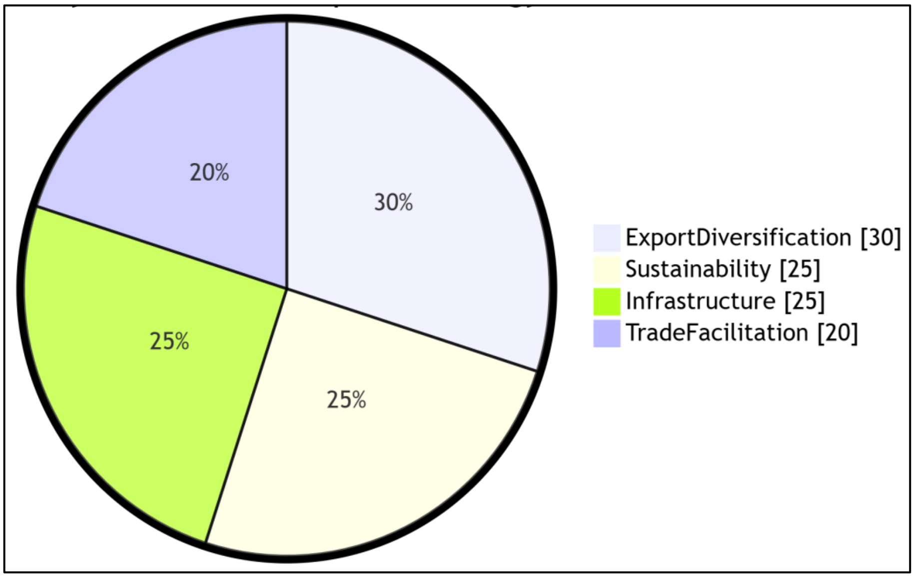

Figure 9: Priority Policy Areas (2019-2023)
Note: Author's own elaboration

iii)Priority Sectors for Policy Intervention

Based on export performance and growth potential between 2019 and 2023, certain sectors emerged as priority areas for policy intervention. These sectors evidenced strong export potential, contributed substantially to foreign exchange earnings, and reflected resilience during global upheaval. Targeted policy support in these areas can further better India's trade competitiveness.

Table 11: Sector-wise Export Growth Potential Index (2019–2023):

Sector	Export Growth Potential Index (1–10)	Description
Pharmaceuticals	10	High global demand and India's competitive production capacity make this sector top priority.
IT Services & Software	9	Sustained global demand and service export strength presage strong growth potential.
Engineering Goods	8	Export-oriented industrial goods exhibit steady growth, claiming policy support for advanced technology.
Petroleum & Petroleum Products	8	Rising global energy requirements and refining capacity drive export opportunities.
Textiles & Apparel	7	Traditional strength with moderate growth potential; modernization and design innovation are key.

Sector	Export Growth Potential Index (1–10)	Description
Chemicals & Fertilizers	7	Exportable products with scope for value addition and global competitiveness.
Gems & Jewellery	6	Luxury goods with potential but sensitive to unstable world economy.

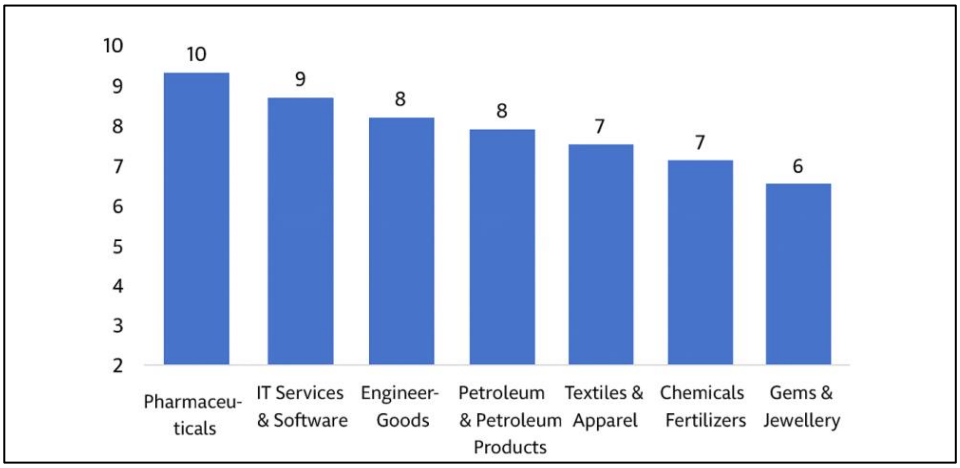

Figure 10: Sector-wise Export Growth Potential Index (1–10)
Note: Author's own elaboration

Interpretation

Between 2019 and 2023, India's export growth potential was concentrated in pharmaceuticals, IT services, and engineering goods. Petroleum products also demonstrated substantial export opportunities. However, tariff policies pursued by the Trump administration in the US produced precariousness for Indian exporters, specifically in textiles, chemicals, and gems and jewellery, which are prone to tariff volatility. High-potential sectors like pharmaceuticals and IT services were relatively insulated from tariff shocks, thereby sustaining India's overall export growth momentum, and protecting eco-friendly trade despite external policy demurs.

iv)Policy Measures

To achieve India's strategic trade policy goals and leverage sectoral export potential, coherent policy measures were framed over different time horizons between 2019 and 2023.

Table 12: Policy Measures

Horizon	Measure	Expected Impact (2024–2027)
Short-term (1–2 years)	Immediate support and stabilization	Stabilize immediate trade flows
Medium-term (3–5 years)	Capacity building and market diversification.	Strengthen infrastructure, skills, and market access
Long-term (5+ years)	Sustainable competitiveness and structural reforms	Ensure sustainable competitiveness

v)India's Export Concentration Ratio (2019–2023)

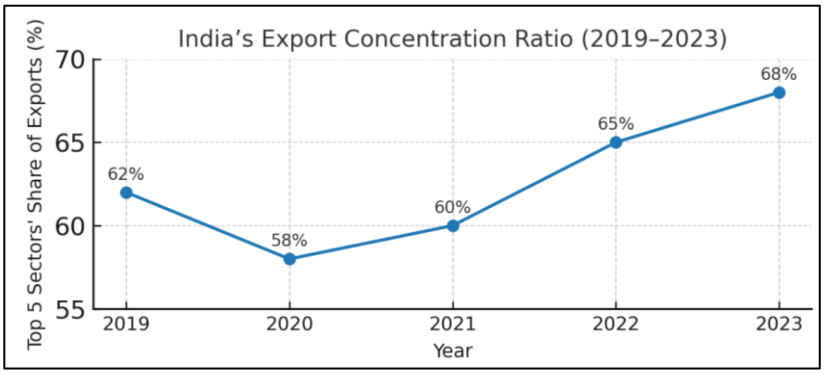

Figure 11: India's Export Concentration Ratio
Note: Author's own interpretation

Interpretation:

Between 2019 and 2023, India's export concentration exhibited fluctuations for sectoral growth and global demand patterns but ultimately increased from 62% in 2019 to 68% in 2023, reflecting increasing resort on a few puissant sectors like pharmaceuticals, IT services, engineering goods, and petroleum products. During the Trump administration, tariff measures focusing steel, aluminum, and certain manufactured goods directly involved Indian exports in engineering and industrial sectors, thereby reinforcing India's reliance on less tariff-exposed sectors like pharmaceuticals and IT.

While these resilient sectors helped India attain strong extensive export growth, tariff shock illuminated structural vulnerabilities, as growing concentration made the economy more aware of global trade policies and external shocks. Diversifying export markets and tempering emerging sectors are, therefore, requisite to decrease vulnerability to global disruptions and ensure balanced trade growth.

CONCLUSION

India's merchandise trade between 2019–2023 experienced major structural evolution shaped by global market volatility, geopolitical tensions, pandemic disruptions, and changing domestic production patterns. The study reveals:

- **Resilience in Export Growth** — Despite a steep slowdown in 2020 for COVID-19, exports rebounded soon by 2021–2022, activated by pharmaceuticals, IT-enabled services in merchandise-adjacent categories, refined petroleum, and agricultural products.
- **Persistent Import Dependence** — Despite export growth, India remains reliant on imports for crude oil, electronics, and industrial machinery, which broadened the merchandise trade deficit in energy-consuming years (notably, 2022 with elevated oil prices).
- **Sectoral Divergence** — High-tech manufacturing and value-added agriculture outstripped bulk commodity exports, while low-technology manufacturing sectors like textiles and leather lagged, accentuating structural variations.
- **Macroeconomic Implications** — Trade dynamics directly affected GDP, inflation, and employment. Oil price blows triggered CPI spikes, while export growth in specific sectors fostered industrial employment.
- **Export Concentration Risks** — Overdependence on a few commodities and markets leaves India exposed to extrinsic vulnerabilities.

Recommendations

- **Trade Diversification Requirement:** Trade diversification and sustainability must be dual pillars of India's export strategy. Extending into sustainable energy equipment, high-value engineering goods, and niche agricultural products can mitigate overdependence on few commodities and markets breeding macroeconomic volatility.
- **Strategic Import Substitution:** Decreasing import dependency for critical goods like semiconductors, precision machinery, and defense equipment will boost economic resilience.
- **Trade Infrastructure Advancement:** Investments in ports, transport corridors, and digital customs clearance will diminish logistics costs and improve export competitiveness.
- **Energy Security Enhancement:** Diversifying energy imports and scaling up renewable energy capacity will dwindle vulnerability to dynamic global oil prices.
- **Projected Sectoral Stimulus:** Tailoring stimulus for high-potential industries like pharmaceuticals, processed foods, electronics, and green technologies will accelerate export growth.
- **Trade Agreements Leverage**: Proactive bilateral and regional agreements can secure preferential access for Indian products, while protecting sensitive domestic sectors. Post-COVID trade recovery momentum offers a springboard for negotiating favorable FTAs.
- **Data Integrity Boost:** Boosting statistical systems to provide timely, disaggregated trade data will enable better policy and investment decisions.
- **Acknowledgement:** The paper is dedicated to ALMIGHTY GOD for HIS blessings in every aspect of my life.

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