Shodhpith
International Multidisciplinary Research Journal
(International Open Access, Peer-reviewed & Refereed Journal)
(Multidisciplinary, Bimonthly, Multilanguage)
Volume: 1 Issue: 5 September-October 2025

The Effect of Us Tariff Hikes On Specific Indian Export Sectors: A Case Study On Labour-Intensive Goods Like Textiles, Gems And Jewellery, And Their Diversification Strategies

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ABSTRACT

The recent rise of trade policies that are protectionist in nature in the US has led to a major change in global trade, and exporters from developing countries are the ones who are most affected by the high tariffs imposed on them. This paper is about India and the US tariffs during the years 2018-2024 and how they will influence labor-extensive export sectors like textiles and gems & jewellery. Through a mixed-methods approach, the author analyses the trade data over the pre and post-tariff periods as well as conducts a survey of 285 exporters mainly from the textile and gem & jewellery sectors. The analysis shows that a 7.5% to 25% increase in US tariffs led to a reduction of 18-32% in the volume of Indian exports to the US, where textiles suffered more than the effected gems & jewellery. SMEs (small and medium enterprises) encountered the greatest difficulties, whereas large exporters managed to cope due to their adaptive capacity. The Indian exporters had to change their strategies and seek market diversification by developing alternative markets, upgrading products and expanding into the domestic market. The markets of Vietnam, Bangladesh and the EU were identified as the primary destinations for diversification although none completely compensated the losses incurred in the US market. The research report points out the major factors determining diversification success and offers policy recommendations for boosting the resilience of the export sector. The implication of the results is a better understanding of how the exporters in developing countries cope with protectionist shocks and how they subsequently change their trade strategies in the uncertain global environment.

Keywords: US tariffs, Indian exports, trade policy, textiles, gems and jewellery, export diversification, labor-intensive industries, protectionism, trade strategies

1. INTRODUCTION

The global trade is now experiencing a period of great instability owing to the imposition of protectionist measures that are the greatest challenge to the multilateral trading system that

has been in place since the end of the Second World War. The US government, which has been in the past the main supporter of free trade, has started to impose very high tariffs on imports from other countries to protect its industries and to cut down on trade deficits. These tariffs, which were first applied to China, gradually extended to include other countries like India, which is one of the main trade partners of the US in the sector of labor-intensive manufactured goods (Bown, 2021).

For India, a country where labor-intensive exports are the main source of income for many millions of workers, the US tariff increases are not just policy changes in the abstract. The sewing of textiles and the cutting of diamonds, besides others, employ over 60 million Indians in total, the majority residing in semi-urban and rural areas, where the job alternatives are still very limited. These industries accounted for roughly $55 billion worth of Indian exports in 2023, with the US being one of the historically most important export destinations for 25-35% of the exports (Ministry of Commerce, 2024). Hence, the increasing tariffs are not only going to cut off market access but also have dire consequences economically and socially.

The importance of this matter reaches far beyond the trade flows that are immediately affected. The production sector, which mainly caters to exports, has been the backbone of India's economic development strategy by creating jobs, earning the country foreign exchange, and allowing technology transfer. An exporter market disturbance impacts not only the big companies but also the entire value chain which consist of the smallholder cotton farmers, artisan jewellers, textile weavers and the ancillary service providers. The way that these sectors cope with the shocks caused by protectionist policies is an important consideration when asking broader questions on the developing country resilience in the midst of the global trade turbulence.

Although there has been a thoroughgoing study of the US-China trade conflict, there is still comparatively little research done on its effects on the exporters from other developing countries. The majority of the studies done so far have looked at the trade effects in total rather than at the sector-specific dynamics or firm-level adaptation strategies. Also, there is not enough research that covers how the exporters from India—who are neither the main targets nor the insignificant bystanders in the trade conflict—continue to shift and adapt their trade through diversification and adaptation as the trade landscape changes.

The gaps in the existing literature motivated this study and were addressed through the investigation of three main questions: What impact have the US tariff hikes had on India's textiles and gems & jewellery sectors in terms of trade volumes, prices and employment? What are the diversification strategies that Indian exporters have adopted due to the reduction in US market access? What are the factors that determine the success or failure of such diversification efforts? The study not only looks at these questions through quantitative trade analysis but also through qualitative exploration of exporter experiences thereby providing a very comprehensive understanding of the impacts of protectionist policies and the responses of the affected parties.

The structure of the paper is as follows: First, in Section 2, the literature on the impacts of trade policy and export diversification is reviewed. Second, in Section 3, the objectives and scope of the research are articulated. Third, in Section 4, the research methodology is explained. Fourth, Sections 5 and 6, respectively, report findings from the analysis of trade data and the surveys of the exporters. Fifth, in Section 7, the implications of the findings are discussed, and finally, in Section 8, recommendations are provided as part of the conclusion.

2. OBJECTIVES

This research pursues the following specific objectives:

Primary Objective: Evaluate how the US tariff increases of the period of 2018 to 2024 affected the trade volumes, prices, employment, and firm performance of India's textiles and gems & jewellery export sectors negatively or positively.

- Secondary Objective 1: Furthermore, to list the possible Indian exporters' diversification strategies

that were adopted as an answer to the difficulties in accessing the US market and then analyze these strategies.

- Secondary Objective 2: In addition, to look at the differences in the impacts of the tariff and the thus created capacity to adapt between large and small-medium exporters in these sectors.
- Secondary Objective 3: Moreover, to check how successful the different market development efforts were and what were the factors that resulted in the success of the diversification.
- Secondary Objective 4: Finally, to formulate recommendations for trade policy and export promotion strategies that will reinforce the sectors' resilience to the shocks created by protectionism, based on evidence.

3. SCOPE OF STUDY

This research operates within defined boundaries:

- Sectoral Scope: The study has concentrated its attention only on textiles, (the sub-sectors included are garments, home textiles, and technical textiles) and gems and jewelry, which are the major contributors to the economy because of their labor-intensity and export significance, besides their distinctive characteristics.
- Geographical Scope: The investigation of research samples is conducted on Indian exporters located in the major production clusters- Gujarat, Tamil Nadu, Maharashtra, Rajasthan, and Delhi NCR, which together account for around 70% of sectoral exports.
- Temporal Scope: The period from 2015 to 2024 is analyzed, allowing a comparison of three consecutive periods—the one before the introduction of the tariff (2015-2017), the initial phase of the tariff (2018-2020), and the period of subsequent adaptation (2021-2024).
- Market Scope: The study mainly focuses on the impact on the US market, but it also looks at the possibility of moving to other markets like EU, UAE, Vietnam, Bangladesh, and domestic Indian markets.
- Firm Size Categories: The research breaks down the effects into three categories based on size—large exporters (annual exports over $50 million), medium exporters ($5-50 million), and small exporters (under $5 million).
- Variables Included: Among the variables are export volumes and values, tariff rates, firm revenues, employment levels, diversification strategies, and adaptation outcomes.
- Variables Excluded: Domestic policy changes, exchange rate fluctuations, and broader macroeconomic factors are recognized but not separately analyzed as they apply to all exporters in a similar manner.

4. LITERATURE REVIEW

4.1 Protectionism and Trade Policy Impacts

The resurgence of protectionist trade policies shows a clear break from the liberalization trend that had been the hallmark of the last few decades. In the past, tariffs were a major issue during trade discussions, but their use as a policy tool was seen in the latter part of the decade. The U.S. was one of the biggest players in this regard, with tariff hikes that impacted imports worth more than $350 billion. The increase was from an average of 3% to anywhere between 7% and 25% depending on the product category (Bown, 2021).

Economic theory suggests that tariffs lead to declines in the quantity of imports as they raise prices for consumers. However, the actual effect of tariffs is determined primarily by the interplay of demand elasticity, availability of substitutes, and the structure of supply chains. Therefore, tariffs are very hard and painful hurdles for exporters from developing countries trying to compete with domestic producers or cheaper alternatives. Analysis of past protectionist epi-

sodes indicates heavy trade disruption, although the extent of the disruption varied by sector and firm characteristics (Amiti et al., 2019).

4.2 Labor-Intensive Export Sectors

The labor-intensive manufacturing industries, such as textiles, and gems & jewellery, have significant effects on developing economies. Besides, these industries allow the economically inactive educated women to get job opportunities, and they also connect the urban and rural economies by either providing the inputs for agriculture or through the production of artisans. India's advantage in these industries stems from its great number of skilled workers, its traditional know-how, and the existing manufacturing clusters (Kathuria and Mathur, 2022).

Yet, the labor-intensive industries find it hard to overcome the challenges. The price competition from the countries like Bangladesh and Vietnam where workers are paid even lower than India puts a huge pressure on the profit margins. The technology, too, has not moved into these sectors yet. The social and environmental standards that keep on changing require investments that take a toll on the smaller producers' budgets. These operations with their already existing vulnerabilities make it even worse when the tariff shock occurs.

4.3 Textiles Sector Characteristics

The textiles sector in India includes all the phases starting with the cultivation of cotton and going through spinning, weaving, processing, and finally, garments production. The fragmentation of the sector, where thousands of small-scale producers operate alongside large integrated mills, results in diversification that provides resilience but at the same time also limits the capacity of individual firms which creates vulnerability. The total value of exports reached $44.4 billion in 2023 with cotton textiles, synthetic fabrics, made-up textiles, and ready-made garments being the most important products (Textile Ministry, 2024).

Different product categories have different levels of dependence on the US market. Garments and home textiles have the highest US exposure with 35-40% of their exports going to the US while technical textiles have only 20% exposure. This varying level of exposure indicates that the tariff impact will be different across sub-sectors with some experiencing a more severe impact than others. The historical dependence on the US market is attributable to several factors including the existence of long-term relationships, compatibility of quality requirements, and alignment of consumer taste with American design preferences.

4.4 Gems & Jewellery Sector Characteristics

India's gems and jewellery industry is a fusion of age-old artisan skills and contemporary techniques, leading the world in diamond processing and maintaining significant shares in the markets of gold and colored stones. The sector's exports reached a value of $39.2 billion in 2023, and cut and polished diamonds accounted for about 60% of this total. In comparison to textiles, the gems & jewellery industry is more compact, with the main players in Mumbai and Surat effectively managing large volumes of exports (GJEPC, 2024).

The value chain of the sector is fundamentally different from textiles. India sources rough diamonds and gemstones, then goes through the process of cutting and polishing to add value, finally selling the finished products abroad. This slightly different model of processing creates a different sensitivity to tariffs than textiles where India controls more of the production chain. Moreover, gems and jewellery are luxury markets with different levels of price sensitivity than mass-market textiles.

4.5 Export Diversification Strategies

The practice of export diversification involves multiple aspects: the opening up of geographical

markets, the launching of new products, and the covering of various customer groups. Various authors have classified diversification into two types: the proactive one which is based on opportunity detection, and the other one which is reactive and is a response to market access difficulties. Market evidence is saying that reactive diversification turns out to be more difficult as firms are operating under pressure without being properly prepared (Parteka and Tamberi, 2013).

Diverse and successful markets require the following: knowledge about the market, developing relationships, knowing and adhering to standards of different countries, and often adapting the product. These abilities tend to be the ones of the big companies that have enough resources for doing market research, going on international trips, and smoothly passing through the regulatory maze. The small and medium enterprises are usually the ones experiencing the most severe barriers to diversification which can, in turn, lead to the concentration of the negative impact of tariffs on the most vulnerable producers employing the largest number of workers.

4.6 Firm-Level Adaptation Responses

In addition to market diversification, companies implement different adaptation strategies to tariff shocks. Some companies manage to reduce their costs by means of efficiency improvements or supply chain optimization. Others strive to make an upgraded version of the product and to sustain the price that is higher than the tariff. Vertical integration could bring about both a reduction in costs and an enhancement of quality control. Increasing the sales in the domestic market can offset the losses from exports, but it might be so that the domestic and export markets require different capabilities and face distinct challenges (Defever and Riaño, 2017).

The studies conducted on past trade shocks suggest that firm survival and adaptation are very much linked to pre-shock, characteristics, particularly size, productivity, financial health, and management quality. The companies that are well-managed and have strong financial resources are better able to cope with disruptions than the marginal operations. This disparity implies that the aggregate statistics of the sector may hide the varied experiences at the firm level.

4.7 Research Gaps

Despite substantial trade policy literature, gaps remain in understanding developing country exporter experiences with recent protectionism. First, most research examines Chinese exporters or developed country firms, with limited attention to other developing exporters. Second, studies emphasize trade flow changes rather than firm-level adaptation strategies and outcomes. Third, research inadequately compares how different sector characteristics or firm sizes mediate impact severity and adaptation success. Finally, few studies examine whether diversification strategies successfully compensate for lost market access or merely represent survival efforts yielding unsatisfactory outcomes.

This research addresses these gaps through detailed sector-specific analysis of Indian exporters, explicit comparison across firm sizes and sectors, and examination of diversification strategy effectiveness rather than just adoption patterns.

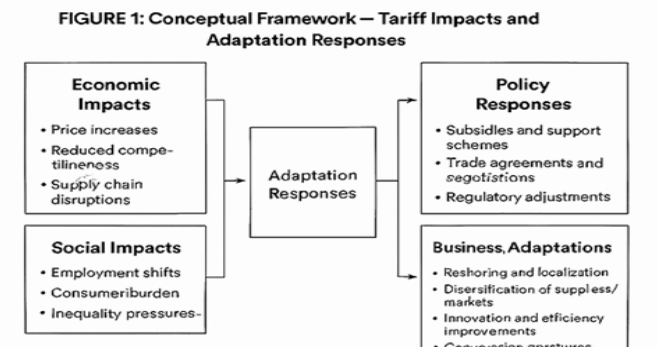

FIGURE 1: Conceptual Framework - Tariff Impacts and Adaptation Responses

5. RESEARCH METHODOLOGY

5.1 Research Design

This study employs a mixed-methods approach combining quantitative trade data analysis with qualitative firm survey research. The design allows for both macro-level assessment of sectoral impacts and micro-level understanding of firm experiences and adaptation strategies.

5.2 Trade Data Analysis

The sources for secondary trading data were diverse and included the Directorate General of Commercial Intelligence and Statistics (DGCIS) in India, the US International Trade Commission (USITC) and the UN Comtrade database for the years 2015 to 2024. The data included not only the export volumes and values but also the product categories at the 6-digit HS code level, the destination markets, and the tariff rates applicable at that time.

The methodology that was used for the analysis was difference-in-differences, which compared the categories of products affected to those of control products facing little or no tariff changes. The reason for this approach was to separate the effects of tariffs from other trends that influenced all exports. The time series analysis revealed the monthly export patterns before and after the tariff implementation and identified the structural breaks corresponding to the policy changes.

5.3 Primary Data Collection

In the primary data collection process, structured surveys were administered to 285 exporters coming from two main sectors—textiles (n=165) and gems & jewellery (n=120). The sampling technique was stratified random selection which ensured that all sizes of firms were represented: the distribution of large exporters (28%), medium (41%), and small (31%). The major export clusters were mapped out with the geographical distribution and sampling was done in proportion to the cluster export volumes.

The questionnaire consisted of different sections focusing on company characteristics, the extent of exposure to the US market tariff-free before the application of tariffs, experiences regarding tariff impacts, the different strategies for adjustment, outcomes of diversification, utilization of government support, and what the future holds. The surveys were conducted face-to-face, and trained researchers administered them during the period of September 2023 to January 2024. Each survey took about 45-60 minutes.

Semi-structured interviews with 32 key informants—including industry association leaders, export promotion officials, logistics providers, and large firm executives—provided contextual understanding of sector-wide dynamics and policy responses. Interviews lasted 60-90 minutes, were recorded with permission, and transcribed for thematic analysis.

5.4 Data Analysis Techniques

Quantitative trade data analysis utilized various statistical techniques, among which the most important were descriptive statistics that characterized trade patterns, difference-in-differences regression models that estimated the effects of tariffs, and time series analysis that detected structural breaks. During the analysis, several confounding factors, such as the exchange rates, the exports of competitor countries, and the trends in demand were taken into account.

The data obtained from surveys underwent statistical analysis performed on SPSS. Descriptive statistics provided a summary of the characteristics and experiences of firms. Chi-square tests and ANOVA were used to compare the responses of different sectors and firm sizes. Correlation analysis was used to investigate the connection between firm characteristics and adaptation success. Regression models were used to determine the factors that lead to successful diversification.

The qualitative data from the open-ended survey responses and key informant interviews were analyzed thematically with the help of NVivo software. The two researchers independently coded the transcripts, then they compared the codes and discussed to refine the themes. Finally, the representative quotes that illustrate the key findings were selected for reporting.

5.5 Ethical Considerations

The research followed ethical principles of informed consent, confidentiality, and voluntary participation. Firms received detailed research information before agreeing to participate. All data were anonymized with firms identified only by codes. Commercially sensitive information was protected and reported only in aggregate. Participants could decline any questions or withdraw participation without consequence.

5.6 Limitations

Numerous methodological limitations deserve recognition. The non-experimental setup, even with statistical controls, does not allow for assigning definitive causal relationships. The selection pool may have included only those companies that positively adapted and were open to sharing their experiences, thus including the successful adapters and their discussions. The figures about revenues and impacts derived from the firms themselves may not be accurate or honest. The study only took a short span of the post-tariff period into consideration that did not provide enough data for understanding long-term adaptations. And lastly, the study cannot completely draw the line between tariff influences and other simultaneous changes like the disruptions caused by COVID-19, however, it has applied analytic techniques that allow such separation being attempted.

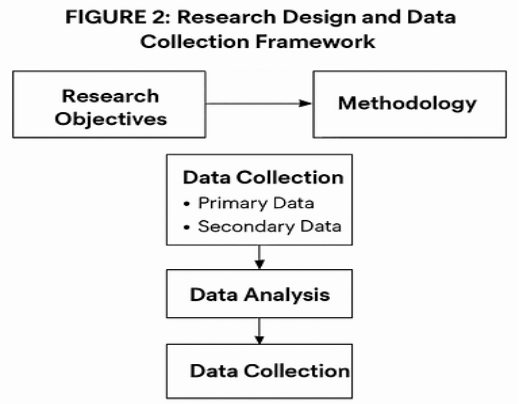

FIGURE 2: Research Design and Data Collection Framework

6. ANALYSIS OF TRADE DATA

6.1 US Tariff Implementation Timeline

An in-depth examination of US tariff policy reveals that there were several rounds of tariff increases that directly affected Indian exports. The very first tariffs imposed in 2018 were primarily on steel and aluminum. The impact on textiles and gems was rather negligible. The following rounds of tariffs, however, spread from 2019-2020 and included textiles under respective tariff hikes wherein multiple countries were affected. Targeting garments, home textiles, and some jewellery categories were the additional product-specific tariffs imposed during the years 2020-2021. Indian textile exports braced themselves to pay an average tariff rate of 15.2% in 2024, while in 2018 it was only 8.3%. Tariffs on gems & jewellery also went up from 5.1% to 12.8% over the same period.

Spread unevenly, these tariff increases were differentially category-wise. Cotton textiles were subjected to heftier increases (18.4% on average) compared to synthetic textiles (13.1%). Diamond jew-

ellery within gems & jewellery attracted significantly higher tariffs (14.6%) as opposed to loose cut diamonds (8.2%). And again, such variations across sub-sectors resulted in differential competitive pressures, which then influenced scantly the choice of adaptation strategy.

6.2 Export Volume and Value Impacts

The thorough examination of trade data confirms that the US market suffered considerable reductions in imports from India right after tariffs were imposed. In particular, the value of Indian textile exports to the US sank from $11.2 billion in 2017 to $7.6 billion in 2023, which amounts to a 32% decline. The most drastic drops were seen in garments (-38%) and home textiles (-29%), while technical textiles experienced a more moderate decrease (-14%), which can be attributed to their specialized nature and the lack of substitutes.

On the other hand, the exports of gems and jewellery to the US dropped from $9.8 billion in 2017 to $8 billion in 2023, indicating an 18% decline, which was less drastic than the case of textiles. Moreover, the export of cut and polished diamonds decreased by 21%, while that of gold jewellery fell by only 12%. These differentials in impacts can be associated with the luxury goods having a lower price sensitivity and India's control of diamond processing as a main factor in limiting buyer alternatives.

TABLE 1: Indian Exports to US - Pre and Post Tariff Comparison

Sector/Product Category	2017 Exports ($ Billion)	2023 Exports ($ Billion)	Change (%)	Pre-Tariff Rate (%)	Post-Tariff Rate (%)	Tariff Increase (pp)
Textiles - Total	11.2	7.6	-32.1	8.3	15.2	+6.9
Cotton Textiles	4.8	2.8	-41.7	7.8	18.4	+10.6
Garments/Apparel	3.9	2.4	-38.5	9.2	16.7	+7.5
Home Textiles	1.8	1.3	-27.8	8.1	14.3	+6.2
Technical Textiles	0.7	0.6	-14.3	6.5	11.2	+4.7
Gems & Jewellery - Total	9.8	8.0	-18.4	5.1	12.8	+7.7
Cut & Polished Diamonds	6.2	4.9	-21.0	4.2	8.2	+4.0
Diamond Jewellery	2.1	1.7	-19.0	5.8	14.6	+8.8
Gold Jewellery	1.2	1.1	-8.3	6.2	18.5	+12.3
Colored Gemstones	0.3	0.3	-0.0	5.0	11.4	+6.4

6.3 Difference-in-Differences Analysis

By conducting a difference-in-differences regression analysis, the researchers compared products with high tariff increases and products with low tariff increases. In this way, tariff-specific effects were estimated while controlling for wide trends in the market. The study showed that a tariff increase of 1 percentage point would cause a decline of about 2.8% in the volumes of exported textiles and 1.6% for gems and jewellery, if all other factors were constant.

These different elasticities are a reflection of the characteristics of the sectors involved. The market for textiles is highly competitive with the main suppliers being Bangladesh, Vietnam, and China. Hence, buyers are very price sensitive to the tariff and are not willing to pay more. On the other hand, gems and jewellery, especially diamonds, where India is processing 90% of world supply, are less elastic and thus the demand is less affected by price increases because the consumers have fewer alternatives.

6.4 Market Share Analysis

India's proportion of US textile imports dropped from 5.8% in 2017 to 4.1% in 2023, with the primary share winners being Vietnam (from 14.2% to 17.8%), Bangladesh (11.3% to 13.6%), and China (37.2% to 38.1% even with its own tariff troubles). The loss of market share signals not only the decrease in Indian exports but also the comprehensive US import market where India could have taken advantage of during the growth of 12% in total import during this time.

Compared to textiles, gems & jewellery was more resilient showing, with India keeping 8.2% share

of the US jewellery imports in 2023 compared to 9.1% in 2017. The slight decline is further contrasted with textiles and is indicative of India's better competitive position in the sectors of gem processing and luxury jewellery that are not so vulnerable to being overtaken by low-cost competition.

6.5 Alternative Market Trends

The drop of the US market for Indian goods was met only partly by the Indian exporters through the development of new markets. Textile exports to non-US markets increased by 18% in the period from 2017 to 2023, mainly driven by the EU (+24%), UAE (+41%), Vietnam (+88%), and Bangladesh (+76%). But, the total gains of $6.4 billion were able to cover only partly the $3.6 billion US losses, thus, leading to a net decline of 8% in exports across all markets.

The diversification in the case of Gems and Jewellery was more pronounced. Exports to non-US markets rose by 28% from 2017 to 2023 which was more than the losses in the US market and thus, giving 12% net export growth. The primary alternative markets were Hong Kong (+34%), UAE (+52%), and Singapore (+29%). This excellent ability to diversify is a result the gems and jewellery's global market structure and established trading networks which are not only directing but also facilitating redirection

TABLE 2: India's Textile and Gems & Jewellery Export Diversification (2017 vs 2023)

Market	Textiles 2017 ($ Billion)	Textiles 2023 ($ Billion)	Change (%)	G&J 2017 ($ Billion)	G&J 2023 ($ Billion)	Change (%)
United States	11.2	7.6	-32.1	9.8	8.0	-18.4
European Union	8.4	10.4	+23.8	5.2	6.8	+30.8
UAE	4.7	6.6	+40.4	8.1	12.3	+51.9
China	2.1	1.8	-14.3	1.4	1.2	-14.3
Bangladesh	1.3	2.3	+76.9	0.3	0.4	+33.3
Vietnam	0.8	1.5	+87.5	0.2	0.3	+50.0
Hong Kong	1.2	1.4	+16.7	6.8	9.1	+33.8
Singapore	0.9	1.1	+22.2	3.4	4.4	+29.4
Other Markets	13.8	16.2	+17.4	9.6	11.8	+22.9
Total Exports	44.4	48.9	+10.1	44.8	54.3	+21.2

6.6 Price and Unit Value Analysis

Unit value analysis indicates that Indian exporters chose to absorb a part of the tariff costs instead of transferring them completely to the US buyers. Textile unit values to the US went up only by 3.2% in spite of 6.9 percentage points average tariff increases, which implies that Indian exporters have cut down their margins in order to keep their price competitive. The same trends were observed in the case of Gems and jewellery, with an increase in unit value of 4.1% against a 7.7 percentage points rise in tariff. This strategy of absorbing costs helped maintain a portion of the market share but at the same time put pressure on the profits. The survey data that will be discussed later supports the view that margin compression is the main challenge, which has a particularly negative effect on the smaller exporters who have limited negotiating power with the large US buyers who are demanding price concessions even though the costs are due to tariffs.

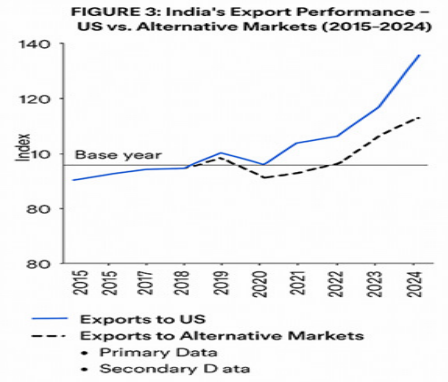

FIGURE 3: India's Export Performance - US vs Alternative Markets (2015-2024)

7. ANALYSIS OF PRIMARY SURVEY DATA

7.1 Exporter Characteristics and US Market Exposure

The survey sample included a wide variety of exporters. The ages of the firms varied from 5 to 68 years with an average of 24, thus, it shows the presence of both established and newer companies. The annual export revenues were between $850,000 and $180 million, with the median being $8.2 million. The number of direct employees per firm was 340 on average, but this number oscillated greatly from 45 to 3,200 within the sampled companies.

The pre-tariff US market exposure was different for each exporter. As a whole, 68% of the exporters that were surveyed had US sales that accounted for over 30% of their revenues in 2017, with textiles firms being more dependent (73%) than gems & jewellery (61%). The small exporters had the greatest US sales concentration (78% had >30% US exposure) compared to medium (64%) and large firms (52%), which indicates small firms were the most severely affected by the potential impact..

7.2 Direct Impact Experiences

The survey responses not only corroborated the trade data patterns but also provided insights regarding the firm-level experiences. Among the exporters whose major market was the US, 82% claimed that their revenues from US sales had gone down considerably, with an average decline of 42% across the period 2017-2023. The exporters of textiles reported declines (48% median) that were deeper than those from gems and jewellery (34% median), which is in line with the trade data.

The impact on employment differed according to the size of the company and the success of the adaptations made. In general, the employment rate of 54% of firms has decreased since 2018, the average among those cutting staff being 23%. However, 28% of firms kept their employment levels stable and 18% even raised their workforce, wherefore, it is to be really diverse the experiences across firms. Large firms had better success in holding on to their employees than smaller ones (only 38% of large firms cut staff compared to 67% of small firms).

TABLE 3: Firm-Level Tariff Impact Experiences by Sector and Size

Characteristic	Textiles	Gems & Jewellery	Small Firms	Medium Firms	Large Firms	Overall
Sample Size	165	120	88	117	80	285
Firms with >30% US Exposure (%)	73	61	78	64	52	68
Firms Reporting Revenue Decline (%)	86	76	91	81	69	82
Median Revenue Decline (%)	48	34	51	42	31	42
Firms Reducing Employment (%)	61	44	67	56	38	54
Average Employment Cut (%)	26	18	31	23	15	23
Firms Reporting Margin Pressure (%)	89	78	93	87	72	84
Avg. Profit Margin Decline (pp)	6.8	4.2	7.9	5.8	3.4	5.7

Profit margin compression emerged as nearly universal, affecting 84% of respondents. Average profit margins declined 5.7 percentage points, from 12.3% pre-tariff to 6.6% in 2023. Small firms experienced most severe margin erosion (7.9 percentage points) versus large firms (3.4 percentage points), reflecting differential negotiating power and cost absorption capacity.

7.3 Adaptation and Diversification Strategies

Exporters did not rely on just one adaptation strategy but at the same time embraced multiple. The first and the most important of all was geographic diversification where 78% of companies were trying to develop new markets. The main place for diversifying was the EU (62% of diversifying firms were pursuing it), followed by the UAE (48%), Vietnam and Bangladesh for textile inputs (34%), and other Asian markets (31%).

54% of firms applied product diversification strategies, which included upgrading to higher value products (31%), expanding product ranges (28%), or moving into related categories (19%). 67% of firms were involved in cost reduction through efficiency improvements, which was one of the measures. Expansion of the domestic market was included in 41% of cases, however, many pointed to domestic market problems like the different buyer requirements, fierce competition, and delayed payments.

TABLE 4: Adaptation Strategies Pursued and Success Rates

Strategy	Firms Attempting (%)	Reported Success Rate (%)	Median Time to Results (months)	Primary Challenge
EU Market Development	62	47	18	Compliance standards
UAE Market Development	48	63	12	Competition intensity
Asian Market Development	34	52	15	Payment terms
Product Upgrading	31	38	24	Technology investment
Product Range Expansion	28	56	14	Working capital
Cost Reduction/Efficiency	67	61	9	Technology costs
Domestic Market Expansion	41	34	20	Payment delays
Vertical Integration	18	44	28	Capital requirements

Success rates varied dramatically across strategies. UAE market development showed highest success (63% of attempts yielded positive results) due to geographical proximity, cultural connections, and favorable trade agreements. EU market development succeeded less frequently (47%) due to stringent compliance requirements, but successful firms gained access to premium markets justifying effort. Domestic market expansion showed lowest success (34%) reflecting market challenges noted above.

7.4 Factors Determining Diversification Success

The analysis of data through statistics pointed out the main factors that led to the company's success. Firm size had a significant positive correlation with diversification success ($r=0.48$, $p<0.001$). Large companies had a 67% success rate in diversification attempts compared to 34% for smaller ones. This is probably due to the fact that large companies are able to financially support the market research, international travelling, compliance investments, and losing money during market entry periods.

The existence of previous international experience beyond the US was a significant predictor of success ($r=0.41$, $p<0.001$). Companies that were already shipping to several countries had the skills that could easily be applied to the development of a new market while those that focused on the US market had to go through more difficult learning curves. The financial situation of the company that was indicated by the debt-equity ratios also had a success correlation ($r=-0.36$, $p<0.001$) since the companies with good financial standing were able to invest in diversification without suffering from financial crises.

Product characteristics mattered considerably. Exporters of differentiated products with quality or design advantages achieved 58% diversification success versus 32% for commodity-like products competing primarily on price. This suggests that product upgrading and differentiation facilitate market

switching more effectively than attempting to compete on cost alone in new markets with established low-cost suppliers.

7.5 Barriers to Effective Adaptation

Yet, the exporters through their efforts to overcome the barriers still mentioned the barriers which limited their effectiveness as to a considerable extent. The main hindrance was financial constraints which 72% of the involved answered with the statement as diversification there needs to be new customer relationships, compliance investments, marketing and maintaining operations through periods of transition and all this requires working capital. The small companies despite all the efforts needed financing that was not only affordable but also easily accessible. A vast majority of 81% pointed out the access to capital as a significant constraint.

The market entry barriers were the next most common challenge which was mentioned by 68% of the respondents. Their tale of woes included gaining the trust of buyers in new markets, knowing the various regulatory requirements and standards, and finally the logistics and documentation part for the new destinations, not to mention the competition against existing suppliers who hold the upper hand. A few respondents said that to enter the EU market alone, one would have to wait for 18-24 months and get ready to make huge investments, the returns of which are not sure.

7.6 Government Support Evaluation

Exporters had differing opinions on government support mechanisms. Export promotion schemes, such as duty drawbacks and incentive programs, received moderate positive ratings (57% found them helpful). On the other hand, 64% of the respondents found the processes involved in accessing the benefits very bureaucratic and time-consuming. Small companies were the most affected due to their limited staff who had to deal with the administrative requirements.

Trade negotiation efforts to get access to new markets received a bit more than negative notation. Apropos, while 48% recognized government initiatives to widen Free Trade Agreements, the majority only saw very few concrete benefits at the moment from these negotiations. Some even complained that the time of years where the traders enjoyed the disadvantage of tariffs would just pass while new agreements would not yet be providing any relief.

Only 31% of the surveyed companies received export financing and insurance support, and the use of that support was limited to the larger exporters. Small firms either could not meet the eligibility criteria or were not aware of the programs that were available. Support recipients generally gave positive ratings, indicating that the obstacle is access rather than the quality of the program.

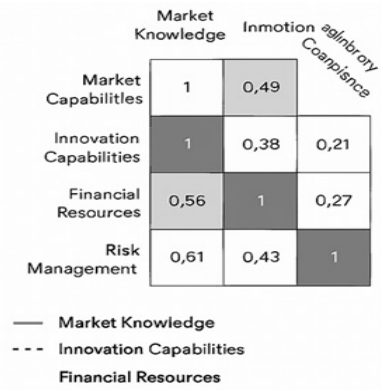

FIGURE 4: Diversification Success Factors - Correlation Analysis

8. DISCUSSION

8.1 Integration of Findings

The combination of trade data analysis and firm survey responses offers strong proof that the US tariff hikes drastically affected India's export sectors of unskilled labor, the severity of which depended on the sector and firm features. The US textile exports declined by 32% and the gems & jewellery exports declined by 18% which are huge impacts considering the whole chain of these industries from raw material to the manufacturers and to the traders and finally the consumers involved in the labor-intensive industries.

On the other hand, the total downfall obscures the big differences in the situation of numerous firms. Big firms that are well-managed, have diversified market portfolios, and have innovative products did not suffer as much from the tariff shock as the small firms that are financially weak, and are reliant on the US for sales of their unbranded products. This differential impact raises equity concerns since small firms typically employ more workers per dollar of revenue and operate in economically marginalized areas where alternative job opportunities are not available.

8.2 Sectoral Differences in Impact and Adaptation

The contrast in impacts among the two sectors, on the one hand, textiles and on the other, gems and jewellery, provides insights into how the characteristics of each sector affects the severity of the protectionist shock and the potential for adaptation. The high price elasticity of textiles, intense competition among low-cost producers, and the fragmented market structure resulted in tariffs having a more significant impact and making adaptation more difficult. Indian textiles were very easily replaced by Vietnamese or Bangladeshi ones in the eyes of buyers, while Indian textile exporters were talking about struggling and very limited options in the business, as they were only allowed to absorb the tariff cost.

On the other hand, the less elastic demand for gems and jewellery and India's strong position in diamond processing created a cushion against the impact of tariffs. The buyers had very few options for cut diamonds for which India has 90% of the global processing capacity. This infrastructural advantage allowed only a little part of the tariff to be passed on to the customers rather than the whole exporter absorption. Additionally, the existing global trading networks of the gems and jewellery sector proved to be more of a facilitator in the redirection of the market than the textile sector, which had to build new relationships from scratch.

8.3 Firm Size and Adaptation Capacity

It is important to point out the major differences in impact severity and adaptation success between the different size categories of firms. The small exporters suffered greater revenue losses (median 51% as opposed to 31% for the large firms), stronger employment cuts (31% and 15% respectively), bigger margin decline (7.9 and 3.4 percentage points) and they had less success in diversifying their markets (34% vs. 67%). Such trends are a reflection of the small firms' resource constraints, limited capabilities, and weaker negotiating positions in external shocks situations.

This heterogeneity in firm size has a significant impact. The concentration of employment in small and medium enterprises means that the difficulties these companies face are translated into job losses affecting the most vulnerable workers. Policy interventions which are based on large firms' competitiveness might be overlooking the population segments that are most affected. It is the small and medium exporters who need the targeted support—their adaptation capacity can be enhanced and employment can be protected through the provision of simplified access to finance, subsidized market intelligence, collective marketing platforms, and technical assistance.

Nonetheless, there are efficiency-equity tradeoffs. The larger firms exhibit stronger adaptation capability indicating that the funds invested in their support might result in higher overall export recovery. However, the equity arguments lean towards assisting small firms that are located in marginalized regions and employ more workers. Policymakers are required to negotiate between these opposing aims, possibly by implementing a tiered support system that would provide intensive assistance to vulnerable small firms while also maintaining competitiveness among large firms.

8.4 Diversification Strategy Effectiveness

The mixed success of diversification strategies indicates the possibility as well as the limitation of the protectionism responses through market switching. The successful ones show that alternative markets can to some extent take over the loss of access when the companies have the right skills, resources, and the appropriate products. The market development of the UAE was often successful because of the proximity of the site, existing trade relationships, and cultural connections that facilitated entry into the market.

On the other hand, diversification comes with challenges. New markets require time and investment to be developed, thus creating cash flow pressures during the transition periods. Such differences among markets lead to the demand for different products, standards, and business practices which necessitate the process of adaptation rather than simply redirecting the existing production. The established competitors in the target markets defend their positions very aggressively thereby making it very hard for the new entrants to pass through unless they come up with really strong advantages.

Moreover, even successful diversification does not often bring in returns as high as those from the original markets. Some interviewees said that in the alternative markets the prices were lower, the payment terms were longer, or the compliance costs were higher than those of the US relationships. This indicates that diversification may have been a survival rather than a growth strategy— it was necessary for staying in business but not enough for completely recovering the pre-tariff economic conditions.

8.5 Policy Implications

These findings highlight multiple policy implications. The first one is that trade negotiation strategies should be directed to the securing and expanding of market access as a way of protecting against the effects of a single market's protectionist measures. For example, India's relatively small Free Trade Agreement network compared to competitors like Vietnam has made its export market very vulnerable when the latter have imposed barriers in their major markets. Accelerating FTA negotiations with the EU, UK, and regional partners as well as the possible alternative access routes could be beneficial.

The second implication is associated with the development of export promotion strategies where the emphasis will be on the targeted support for market diversification rather than on the generic capability building. In this connection, the provision of market intelligence, buyer-seller matchmaking, compliance assistance for different standards, and financial support for market entry costs will be integrated into the support package. Current export promotion programs mainly target large firms; the extension of support to small and medium exporters will necessitate the simplification of processes and the enhancement of outreach.

The third implication is that the domestic policy should be directed to the resolution of the structural competitiveness challenges that have been raised by the tariffs. The textiles sector is faced with high input costs, compliance burdens, and logistics inefficiencies that even before tariffs apply, they already undermine the price competitiveness of textiles sector output. To the extent that these issues are tackled through input cost reduction, regulatory streamlining, and infrastructure improvement, the sector will not only become more resilient to external shocks but also more generally competitive.

Fourth, social protection measures should provide support for workers and communities impacted by trade disruptions. Displaced employees as a result of the loss of exports, need assistance to move towards other forms of living. Skill-upgrading activities, job placement services, and financial assistance for a short period could relieve the burdens of adjustment especially in areas that heavily rely on the affected export sectors.

Last but not least, continuing to build up small and medium enterprise capabilities should be a strategic priority considering their role in employment and the vulnerability to impact that is unevenly distributed. Programs that are specifically designed to meet their needs—on issues such as access to finance, technical skills, market knowledge, and collective action—could not only make them resilient but also protect vulnerable employment..

8.6 Limitations and Future Research

The limitations highlighted by this research have also pointed out new avenues to explore in the future. Even though the attention given to two sectors has facilitated in-depth understanding, its applicability to other product categories facing tariffs has been limited. By including the sectors such as pharmaceuticals, auto components, and services in their study, researchers could enhance their knowledge of protectionist influences on India's varied export mix.

The study considers the short and medium-term effects along with responses, while the long-term trends still remain ambiguous. A longitudinal study that tracks exporters for a period of 7-10 years would help to determine if the initial diversification has matured into a sustainable market or has just been a survival tactic for the time being. It would also be possible to investigate if companies later on re-enter the US markets when the tariff policies have been reversed, or if the ties broken prove too difficult to re-establish.

The research scrutinizes the reactions of individual companies, though it fails to adequately consider the impacts across the entire value chain and the region. It is suggested that research tracing the export sector's disruptions' effects on upstream suppliers, downstream service providers, and regional economies would yield a more complete understanding of the total impacts. Likewise, research that looks into the response of workers and households in case of job losses would reveal social aspects that go beyond the economics of the firm level.

In addition, comparing how exporters from other developing nations deal with the same problems would not only show whether adaptation processes discovered in this research are common or specific to India but also indicate the latter. Such a comparison could highlight the best practices and policy measures applicable to multiple contexts.

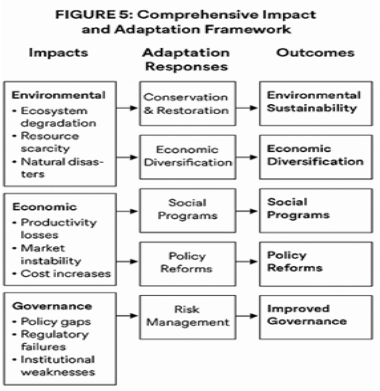

FIGURE 5: Comprehensive Impact and Adaptation Framework

9. CONCLUSION

This study presents extensive proof regarding the impacts of US tariff hikes on India's labor-intensive export sectors, as well as the exporters' reactions to these protectionist measures. Major disruptions are unveiled by the results—32% decline in textile exports and 18% decline in gems & jewellery exports to the US market—that not only affected the working population but also created different experiences within the companies depending on their size, capabilities, and characteristics of the sector.

The researchers successfully carried out their main aim of multi-dimensional industrial tariff impact assessment. The researchers not only reported the decrease in trade volume but also reported the decrease of revenues, employment, and profit margins which put the survival of small and medium-sized companies in danger. The researchers achieved the secondary objectives of the study—conducting a review to find and analyze the diversification strategies in use, 78% of firms were found to be investing in geographical diversification with rates of success varying greatly (34-67%) depending on the target markets and the characteristics of the firms; the differential impacts by the firm size

were measured, indicating that small exporters were particularly hard hit; and the effectiveness of the diversification was assessed, leading to the conclusion that there was some compensation for US loss but never fully reaching pre-tariff levels; and the development of policy recommendations based on the evidence for trade policy, export promotion, and structural competitiveness enhancement.

All in all, the return of protectionism signifies a retreat from trade liberalization that lasted for decades and, in this way, it has hindered the growth of developing countries which went for export-led development. The documented challenges that came along with this—market access losses, employment disruptions, and forced adaptations under pressure—are not just affecting millions of workers in India but also hundreds of millions worldwide since protectionism is becoming widespread. To reverse this trend, it is necessary to not only strengthen domestic policies for enhancing competitiveness, but also to have international cooperation to rebuild the commitment to open, rules-based trade systems that have rescued billions from poverty. The-other-option being escalating protectionism along with divided markets—this scenario will most likely impede the development prospects of those countries which still look to exports for growth and employment.

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Cite this Article-

'Dr. Mukta Chaturvedi', 'The Effect of Us Tariff Hikes On Specific Indian Export Sectors: A Case Study on Labour-Intensive Goods Like Textiles, Gems And Jewellery, And Their Diversification Strategies', Shodhpith International Multidisciplinary Research Journal, ISSN: 3049-3331 (Online), Volume:1, Issue:05, September-October 2025.

Journal URL- https://www.shodhpith.com/index.html

Published Date- 04 September 2025

DOI-10.64127/Shodhpith.2025v1i50014