

US tariff shock puts MSMEs at risk

Industry bodies seek govt intervention

HARSH KUMAR

New Delhi, 8 August

India's micro, small and medium enterprises (MSMEs) — which contribute over 45 per cent to outbound shipments — are facing a major disruption following the United States (US) decision to impose 50 per cent additional tariffs on the country's exports.

MSME industry bodies have raised an alarm over the deep impact, seeking immediate government intervention.

Vinod Kumar, president of the small and medium enterprises forum (SME Forum), said the hike could lead to an annual loss of over \$30 billion in business, with MSMEs being hit the hardest due to their limited financial buffers and capacity constraints.

Anil Bhardwaj, secretary general of the Federation of Indian Micro and Small & Medium Enterprises, termed the tariff shock as a "very tough situation" for MSME traders.

He said, "The new US tariffs of 25 per

Talking numbers

45%

share of Indian MSMEs in outbound shipments

\$30 bn

annual loss in business likely, according to India SME Forum

30-35%

cost disadvantage against competitors, warn experts

\$60 bn

export opportunity in diversification of market

40-45%

drop likely in exports bound for the US

cent, along with an additional 25 per cent penalty puts Indian exporters at a 30-35 per cent cost disadvantage compared to competitors. This could potentially cut US-bound exports by 40-50 per cent, if there is no solution found by August 27."

Kumar called the hike a serious wake-up call for policymakers and exporters alike.

"This is not just a disruption — it's an opportunity to pivot," he said. He added, "Indian MSMEs must rise to the occasion by building new linkages with underserved,



high-growth regions and broadening our global footprint."

Kumar emphasised the need to diversify India's export geography by tapping into under-served but high-potential regions, such as Africa, Latin America, Central Asia, Eastern Europe, the Pacific Islands, and the Caribbean. These are markets that represent over \$60 billion in untapped export potential.

These regions are actively seeking reliable suppliers in sectors where Indian MSMEs already demonstrate strength,

including pharmaceuticals, agri and non-agri machinery, processed foods, and garments.

Bhardwaj called for urgent government intervention through fiscal and non-fiscal measures to support affected MSMEs and advocated for a parallel push towards market diversification.

He said while there is room to expand trade under agreements with the UK, Australia, UAE, and the European Free Trade Association, Indian MSMEs would need extensive capacity building.

There is a need to identify and penetrate these markets and meet increasingly stringent quality, packaging, and compliance standards, he further said.

To strengthen MSMEs in the face of these challenges, the India SME Forum is working with the government to expand access to digital trade platforms, provide timely and affordable export financing, and offer real-time market intelligence.

Adding a note of cautious optimism, Hemant Jain, president of the PHD Chamber of Commerce and Industry, said India has the economic depth to weather this storm.