Bracing for pain, exporters cling to trade deal hopes

PHOTO: SHIVA RAJORA

A worker at the shop floor of San Auto Engineers in Faridabad on Wednesday

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The lunch hour has just begun, along with a light drizzle under an overcast Faridabad sky. At a makeshift eatery in Sector 31, a group of export-unit workers sit down to eat, but the mood is uneasy. Someone breaks the silence: "There will be less work in the coming months".

"We thought this *raar* (dispute) with (US President Donald) Trump would blow over. But now it seems it will drag on. *India bhi jhukega nahi* (India won't bow down either). And it's daily wagers like us who will pay the price," says 32-year-old Amit, an embroidery machine operator. A few American clients of his units have long cancelled their orders. "Let's see what happens."

From Wednesday, Indian exports face a 50 per cent tariff in the American market. The blow lands hardest on low-margin, labour-intensive industries — apparel, textiles, auto parts, engineering goods, gems and jewellery, shrimp, and carpets. They now face even stiffer competition from Southeast Asian and Chinese rivals.

For Vinod Kawri, director of San Auto Engineers, the punitive 25 per cent tariff on Indian goods for New Delhi's purchase of Russian oil is perilous. His firm supplies landing gear to Boeing.

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The 25 per cent reciprocal tariff was "manageable" but 50 per cent levy is bound to put his company out of business in the American market, he says, adding, "while our buyers will find it difficult to source in the near term, as what we supply is a highly skilled product, if this persists, we will be pushed out of the US market completely."

Kawri, who also heads the MSME committee at industry body PHDCCI, still clings to hopes of a trade deal being finalised soon.

The numbers tell the scale of exposure. The US accounts for $81 billion of India's $443 billion goods exports — 2 per cent of India's GDP, according to the latest government data.

SC Ralhan, president of the Federation of Indian Export Organisations (FIEO), warns of a rupture. Roughly 55 per cent of India's exports to the US — worth $47–48 billion — are now at a price disadvantage, he says. "In Noida, textile and apparel factories have already halted production. They're losing ground to lower-cost rivals from Vietnam and Bangladesh. Delays and order cancellations loom large." He sought immediate government support: Interest subvention schemes, export credit and liquidity lifelines.

Engineering exporters are equally exposed. This is a highly labour-intensive sector employing large numbers of migrant workers and exports to the US could touch rock bottom this month as clients cancel orders, notes Rajiv K Chawla, founder of the JaiRaj group. "Our buyers are urging us to absorb the shock, which is unsustainable. More than that, we are not dispatching shipments anymore because we aren't sure importers will even accept them. Even our buyers are in jeopardy — in precision goods like these, you simply cannot build new supply chains overnight."

Exporters broadly agree the government did right by refusing US dairy and farm imports, but mooted a swift resolution of the trade deal and emergency relief.

Anil Gupta, managing director of KEI Cables, says while some exporters front-loaded orders, those reliant on the US are now stranded. "The government's stand is laudable. India should not accept coercion. Diversification is the only way forward. This is a lesson for exporters not to depend on any one market. Recent trade deals with the UK and the EU (discussion still ongoing) offer some hope, but in the near term it's going to be very tough."

At the factory floor, workers like Amit are left hoping the storm will pass in time for the festival season.