

Export diversification beats US tariff effect

COMING TO THE RESCUE. Labour-intensive sectors turn to Europe, West Asia and Asia as US share shrinks

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Market diversification helped Indian exporters in several labour-intensive sectors blunt the impact of the 50 per cent tariffs imposed by the US in August 2025, with shipments swiftly redirected to alternative markets, the Economic Survey said.

While the tariffs delivered a sector-specific shock, industries such as gems and jewellery, textiles, marine products, automobiles, pharmaceuticals, paper and leather showed notable resilience. The rebound was driven largely by a strategic shift away from the US towards non-US destinations, the Survey noted.

The US tariffs came as a surprise, as India was widely expected to be among the early beneficiaries of Washington's new tariff regime.

"Growth forecasts were revised downward. But in reality, growth accelerated

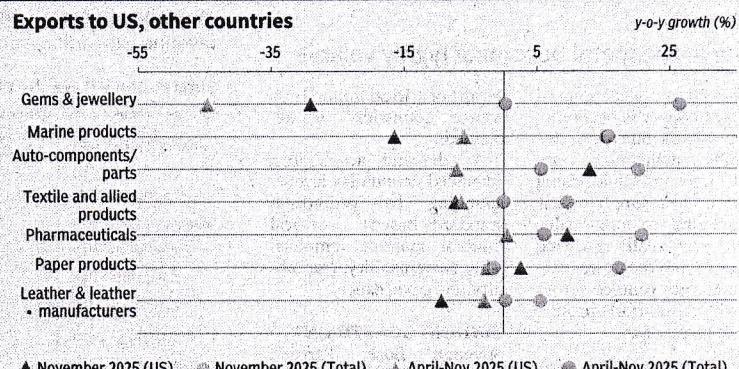
due to a slew of structural reforms and policy measures," the Survey said.

MARKET EXPANSION

During April-November FY26, exports of several labour-intensive products posted gains across multiple regions. West Asia — led by the UAE — emerged as a key growth market, alongside the EU (including Spain, Italy, Germany and the Netherlands), Asia (China and Vietnam), South America (Brazil, Argentina and Chile), Russia and parts of Africa.

The shift was visible in gems and jewellery. The US' share in India's exports of the sector fell to 18.7 per cent from 33.7 per cent a year ago, while the combined share of the UAE — boosted by the FTA — and Hong Kong rose to 53.6 per cent from 41.4 per cent per cent.

Other sectors, including textiles, marine products, pharmaceuticals and auto components, also recovered



Source: FTSPCC, Department of Commerce, accessed on Jan 15, 2025

lost ground by tapping new markets.

CLOSER TO HOME

The Survey said the recently-concluded agreement with the EU expands market access for India's labour-intensive manufactured exports, while deepening integration with Europe's technology and manufac-

uring ecosystems. India's diversification push is also supported by the India-UK Comprehensive Economic and Trade Agreement (CETA), the India-Oman Comprehensive Economic Partnership Agreement (CEPA), and ongoing FTA negotiations with the US, Chile and Peru.

Talks with New Zealand

concluded in December 2025, while the India-Oman CEPA opens access to key markets across West Asia and Africa.

Despite US tariffs, merchandise exports grew by 2.4 per cent (April-Dec 2025), while services exports rose by 6.5 per cent. Merchandise imports for April-Dec 2025 increased by 5.9 per cent.