

The Effect of Tariff on Indian Export Business an Analytical Study

Research Proposal

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Introduction

India's economic progress is closely connected to its participation in global trade. Exports serve as a critical source of foreign exchange, job creation, and industrial growth. However, India's export competitiveness is often affected by the tariff frameworks adopted by partner nations. Tariffs—import duties imposed by foreign governments—raise the effective price of Indian goods abroad and reduce their relative price advantage against countries that enjoy tariff concessions (Krugman & Obstfeld, 2018).

For instance, the Indian textile industry faces higher tariff levels in regions such as the European Union compared with nations like Bangladesh and Vietnam that benefit from preferential trade arrangements. Similarly, agricultural exports, including rice, spices, and seafood, encounter varying tariff conditions across destinations. These discrepancies limit profitability and restrict the global reach of Indian exporters.

In contrast, India's participation in preferential trade mechanisms such as Free Trade Agreements (FTAs) and Generalized System of Preferences (GSP) programs has often improved export performance by lowering tariff-related barriers. Therefore, it becomes essential to examine how tariffs influence India's export landscape, identify associated challenges, and propose strategies that enhance global competitiveness.

Abstract

This study examines the effect of tariffs on Indian export business with a specific focus on the period 2024–2025. Tariffs, imposed by importing countries, play a crucial role in shaping India's export competitiveness. The paper analyzes how these tariff barriers affect export volumes, profitability, and the operational dynamics of industries such as textiles, agriculture, steel, and pharmaceuticals. The research integrates both primary and secondary data to identify patterns and challenges faced by Indian exporters. It highlights that while tariffs restrict market access and raise costs, proactive policy interventions, diversification, and innovation can mitigate adverse effects. The findings are expected to aid policymakers and exporters in developing strategies for sustainable trade growth and improved global competitiveness.

Statement of the Research Problem

Indian exporters operate in a highly competitive international environment where tariffs continue to function as significant trade barriers. Variations in tariff rates across countries can alter cost structures and restrict the accessibility of Indian products in global markets. This study seeks to analyze how foreign tariff policies affect the performance of India's export sectors and to recommend measures that can reduce their negative consequences while sustaining export growth.

Research Objectives

- To examine both the short-term and long-term impacts of foreign tariffs on India's export growth.
- To identify industries most affected by tariff fluctuations, focusing on textiles, agriculture, steel, and pharmaceuticals.
- To assess how Indian exporters modify their operations, pricing, and supply chains to manage tariff-related challenges.
- To evaluate the role of government policies, including FTAs and trade interventions, in mitigating tariff pressures.
- To suggest actionable policy and managerial strategies that strengthen India's position in international trade.

Research Questions

- How do tariff increases influence the global competitiveness of Indian exports?
- Which export sectors demonstrate the highest sensitivity to tariff variations?
- In what ways do exporters adapt or innovate to remain profitable under high-tariff conditions?
- What role do government initiatives and international agreements play in reducing tariff impacts?
- How can India improve its trade negotiation strategies to achieve more favorable tariff terms?

Literature Review Summary

Several scholars have examined the interplay between tariff policies and export performance. Krugman and Obstfeld (2018) explain that tariffs distort trade by increasing import prices, which can suppress global demand and reduce overall welfare. UNCTAD (2020, 2022) points out that rising tariffs in developed economies tend to shift buyer preferences toward more cost-competitive suppliers, thereby weakening India's share in those markets.

Research from the Indian Institute of Foreign Trade (IIFT) highlights that small and medium-sized exporters, especially in textiles and agriculture, are disproportionately affected by even minor tariff increases, such as the removal of GSP privileges in the United States (IIFT, various years).

According to the World Bank (2021), higher import duties can lead to trade diversion, as importing nations source goods from countries with lighter tariff regimes, ultimately reducing India's participation in global markets. However, several studies suggest that product diversification, innovation, and movement toward high-value goods can help Indian exporters build resilience against tariff shocks (UNCTAD, 2022; WTO, 2021).

Research Design

This study adopts both descriptive and analytical approaches. The descriptive component will capture the real-world experiences of exporters, while the analytical part will interpret quantitative trade data to identify patterns and key insights.

Target Population

The research focuses on Indian exporters in major sectors such as textiles, agriculture, steel, and pharmaceuticals. The study includes participants from large enterprises as well as small and medium-sized firms (SMEs).

Sampling Method

A stratified random sampling method will be used to ensure adequate representation across sectors and enterprise sizes. Approximately 100–150 exporters are expected to participate through surveys and interviews.

Hypotheses

H₁: Tariffs imposed by importing nations significantly hinder the competitiveness and performance of Indian exports.
H₀: Tariffs imposed by importing nations do not have a significant effect on the competitiveness and performance of Indian exports.

Data and Measurement

Data Sources:

- Secondary Data: Directorate General of Foreign Trade (DGFT), Reserve Bank of India (RBI), World Trade Organization (WTO), United Nations Conference on Trade and Development (UNCTAD), Ministry of Commerce, and other trade-related publications.
- Primary Data: Structured questionnaires and semi-structured interviews with exporters, policymakers, and trade associations.

Measurement Tools:

- Export indicators such as trade value, growth rate, and market share.
- Comparative assessment of tariff levels among major trading partners.
- Perception surveys identifying exporter challenges and strategic responses.

Ethical Considerations

Participants will be fully informed about the purpose of the study and their right to withdraw at any time. Confidentiality and anonymity will be maintained throughout. Sensitive commercial data will not be shared individually, and findings will be presented in aggregated form to ensure privacy.

Expected Outcomes and Managerial Relevance**Expected Outcomes:**

- Elevated tariff barriers could erode India's export competitiveness, especially in price-sensitive sectors like textiles and agriculture.
- Exporters are expected to respond through market diversification, cost optimization, and product upgrading.
- Government trade negotiations and targeted interventions are likely to play an essential role in maintaining export stability.
- SMEs may experience higher vulnerability to tariff shocks compared with larger firms.

Managerial Usefulness:

- Exporters can apply the study's findings to design strategies for mitigating tariff-related risks.
- Policymakers can leverage the insights to improve trade negotiations and incentive frameworks.
- Industry associations can use the outcomes to advocate for more favorable trade policies.
- The research will contribute to the formulation of practical frameworks that enhance India's position in the global export landscape.

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