Beyond tariffs: President Trump's targeting of India can harm bilateral ties

written by Joseph Rozen | 07.08.2025

Under President Trump's trade policy, the US has imposed new tariffs on more than 90 countries, following the expiration of the 90 days allocated for negotiations on trade terms on August 1. One of the countries affected by this is India, on which tariffs of 25 per cent were imposed, plus an American threat to impose sanctions that could take effect on August 8 due to India's close relations with Russia.

These developments follow a series of recent disputes between India and the US, including tensions over India's role in Brics and President Trump's self-proclaimed position as a 'peacemaker' in the India-Pakistan conflict. Trump has also threatened to impose 200 per cent tariffs on the pharmaceutical sector — a key industry for India.

From the economic angle, the imposition of tariffs can have a rationale, since the US was in a trade deficit with India of over $45 billion in 2024, an increase of 5.4 per cent compared to the previous year. President Trump also considered the trade barriers, mainly in the agriculture sector in India, as unfair. The "Make in India" regulations contributed to the difficulty of doing business in India.

Nonetheless, the US is India's leading trade partner with a total trade volume of approximately $132 billion, and the countries' leaders set a target of $500 billion in trade volume by 2030 with the intention of deepening the strategic partnership between the countries. Additionally, the imposition of tariffs on India can be mitigated by the future free trade agreement between the countries, which is still under negotiations. Moreover, goods exports from India to the US are worth only 2 per cent of the US' total imports.

However, the geopolitical implications of the American move vis-à-vis India are much more significant and raise concerns for the future of the strategic partnership between the countries. Trump, who aspired to end the war between Russia and Ukraine upon entering the White House, discovered that reality is

more complex and is now working to increase pressure on Russia and the countries that assist it. In this context, India's energy and security ties with Russia – India is the largest importer of Russian oil (alongside China), which constitutes about 35 per cent of all its imported oil, and Russia is India's leading arms supplier – have placed a target on India's back.

According to expert assessments, if India stops importing Russian oil following American threats, oil imports from other sources are expected to cost around $10 billion more per year. India is the world's third-largest oil importer, and it has exploited well the geopolitical reality following the Russian invasion of Ukraine to import Russian oil at low prices, since it is not party to Western sanctions on Russia. Even so, there is a sense of a double standard, as the US and Europe bought some of the Russian oil from India.

At this stage, the Indian government is examining the implications of Trump's announcement. While several reports claimed that tankers carrying Russian oil were not allowed to unload in India and refineries are not accepting Russian oil, some voices are calling to continue importing Russian oil.

At least regarding security procurement from Russia, India has significantly reduced the Russian share in the Indian security sector, from 72 per cent in 2010-2014 to only 36 per cent in 2020-2024. This trend gained momentum after the Russian invasion of Ukraine, which limited Russia's ability to supply extensive quantities of arms, and it aligned well with the Indian government's military modernisation efforts.

Beyond the Russian context, the level of tariffs imposed on India places India in an inferior position vis-à-vis other countries in Asia, including its neighbours. For example, the US imposed 15 per cent tariffs on Japan, despite the American trade deficit with Japan being estimated at $70 billion, more than the deficit with India. The US imposed only 15 per cent tariffs on South Korea, and Indonesia, which chose compromise over confrontation, managed to reduce tariffs from 32 per cent to 19 per cent. Additionally, Vietnam, which constitutes an alternative to manufacturing in China, suffered 20 per cent tariffs, and even Pakistan ended up with lower tariffs of 19 per cent.

Simultaneously, the US continues to conduct negotiations with China regarding tariffs between the countries, with a decision on the matter expected to be made

on August 12. Understanding between the superpowers that will lead to the removal of some of the tariffs on China, combined with sanctions on India, could harm broader geopolitical interests within the framework of the partnership between the US and India, to the point of shattering the partnership and destabilising the geopolitical architecture in the Indo-Pacific.

But not all bad. India has an opportunity now to reshape its partnership with the US, focusing more on technological cooperation and interregional digital connectivity initiatives than trade in goods, as expected from a sustainable and developed country it aspires to be. Therefore, the ongoing trade talks with the US should reflect India's advancement in the technological sphere and ensure India's deserved place in global technological supply chains.

Although signing a free trade agreement will be a major bilateral milestone, it will also send a strong signal to India's neighbours and to China, recognising the geopolitical importance of India to the US. This will also make a notable contribution to the success of the IMEC initiative (India-Middle East-Europe connectivity), as well as to the distancing of the "Global South" from China.

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