

Testing Resolve: India's Strategic Response to US Tariff Escalation

Introduction

In Aug 2025, India–United States (US) trade relations entered one of their most stormy phases in recent years, as Washington announced sharp tariff hikes on Indian goods— effectively doubling duties to 50 per cent in response to New Delhi's continued purchase of Russian oil. The decision, framed by the US as both a strategic and penal measure, has activated a complex response from India—spanning strong political rebelliousness, economic recalibration, and strengthened diplomatic engagement. The tariffs represent more than a trade dispute; they are a test of India's resolve to protect its strategic autonomy, safeguard the livelihoods of key domestic sectors, and navigate an increasingly complex geopolitical landscape. This episode has not only spotlighted the vulnerabilities of export-dependent industries but has also reinforced the imperative for India to diversify partnerships, strengthen indigenous capabilities, and maintain a delicate balance between its long-lasting relationship with Russia and its critical engagement with the US. Furthermore, Trump's tariffs are likely to have an impact on the American market and consumers, however, that effect has been deliberately kept out of the purview of this article. Instead, the focus of this Strategic Perspective is on the strategic and economic impact of said Tariffs on India.

Context of the Tariff Escalation

In Aug 2025, the Trump administration issued an executive order imposing an additional 25 per cent 'Secondary' tariffs on Indian imports, quoting India's continued purchases of Russian oil—bringing the total US tariff on Indian goods to a steep 50 per cent. This move was characterised by both governments as punitive and strategic.¹

The secondary tariff refers to an additional layer of duty applied on top of existing tariffs, making Indian exports to the U.S. significantly more expensive. The move is considered punitive because it targets India for a specific policy choice (Russian oil imports), and strategic because it signals Washington's willingness to use trade measures to influence India's foreign policy and energy sourcing decisions. **Implications for India**

- **Economic Impact on Exports.** Higher tariffs will make Indian goods less competitive in the US market, potentially reducing export volumes in key sectors like textiles, gems, pharmaceuticals, and manufacturing.
- **Pressure on Energy Policy.** The US is attempting to use trade leverage to push India away from Russian oil imports, which have been a major factor in keeping domestic energy prices stable.
- **Test of Strategic Autonomy.** India will have to balance its long-standing defence and energy ties with Russia against its growing economic and strategic partnership with the US.

- **Trade Diversification Push.** This may accelerate India's efforts to strengthen trade with alternative markets (European Union [EU], United Kingdom [UK], Association of Southeast Asian Nations, Africa, Latin America) to reduce dependence on the US.
- **Geopolitical Signalling.** The move reflects a shift in Indo-US relations from cooperative growth goals to transactional bargaining, with potential spillover effects on defence deals and multilateral cooperation.

The US tariff appreciation converts a bilateral trade issue into a broader test of India's strategic autonomy, economic resilience, and geopolitical balancing act. It threatens key export sectors, challenges the impetus of India-US trade cooperation, and pressures New Delhi to recalibrate its Russian energy dependence—all while reinforcing the urgency of diversifying markets, strengthening domestic value chains, and safeguarding core national interests in an increasingly transactional global order.

India promptly labelled the measure 'unfair, unjustified and unreasonable', with its Ministry of External Affairs criticising the US for double standards—particularly given that other countries importing Russian energy did not receive comparable penalties.²

India Unwavering Stand: 'Ready to Pay a Heavy Price'

New Delhi responded forcefully, asserting that India would not compromise on the welfare of its farmers, dairy producers, and fishermen—even if it came 'At a very heavy price'.³ The comments underscored the political weight these sectors carry and highlighted the prioritisation of domestic stability over external pressure.⁴

The uncompromising stance signals that India's commitment to strategic autonomy extends beyond foreign policy to protecting domestic socio-economic priorities. By vowing to shield farmers, dairy producers, and fishermen despite the economic costs, the government reinforces its refusal to allow external pressure—whether through tariffs or geopolitical pressure—to dictate national policy choices. This position not only preserves domestic political capital but also asserts India's right to pursue independent trade, energy, and development strategies in a multipolar world. The Foreign Ministry reiterated this stance, emphasising that India would undertake 'all necessary steps to protect its national interests'.⁵

The Foreign Ministry's statement reaffirms India's readiness to leverage every diplomatic, economic, and strategic tool to defend its national interests, underscoring a zero-tolerance approach to external coercion. It signals to both domestic and international audiences that New Delhi will respond proportionately to protect sovereignty, maintain strategic autonomy, and ensure that critical policy decisions—whether on trade, energy, or security—remain firmly under its control.

Domestic Pushback and Political Solidarity

The Sanyukt Kisan Morcha (SKM), representing farmer interests, denounced the tariff as an ‘Economic Embargo’, calling it an unjust attack on India’s sovereignty. The SKM pointed out the insincerity in the selective targeting, noting that major powers continue energy trade with Russia without similar repercussions.⁶ Former Vice-President M. Venkaiah Naidu echoed this digression, affirming that India will not yield to threats and that its energy security remains non-negotiable.⁷

Economic Risks: Industries on Edge

The tariffs come at a sensitive time for Indian manufacturing. Export sectors—like pharmaceuticals, gems, petrochemicals, and non-leather footwear—which collectively contribute meaningfully to the Gross Domestic Product (GDP), face significant setback.⁸

The timing of the US tariffs compounds pressure on India’s manufacturing sector just as it seeks to expand global market share under *Make in India*. By targeting high-value export segments such as pharmaceuticals, gems, petrochemicals, and non-leather footwear, the tariffs risk eroding competitiveness, slowing GDP growth, and undermining job creation in labour-intensive industries. This heightens the urgency for India to diversify export destinations, strengthen domestic value chains, and accelerate trade negotiations to offset US market losses.

Moody’s Ratings estimated a potential 0.3 percentage point drop in India’s GDP growth for FY2025-26 due to the impact on manufacturing and exports.⁹ Such a drop signals a tangible economic cost, highlighting the tariffs’ potential to slow growth and strain India’s export-led manufacturing push.

Notably, Indian non-leather shoemakers—particularly active in Tamil Nadu and supported by global brands under the *Make in India* initiative—are already facing intense disruption. Some companies are re-evaluating future strategies amid tariff uncertainty.¹⁰

Strategic Rebalancing and Diplomacy

India’s engagement with the US during Prime Minister (PM) Modi’s Feb 2025 visit—envisioning a USD 500 bn bilateral trade goal by 2030—was already under pressure. Disagreements over agricultural market access, and America’s push against India’s Russian oil reliance, contributed to a breakdown in trade talks.¹¹ The breakdown in trade talks stalls momentum toward the bilateral trade target, deepening rifts over market access and energy policy, and signalling a shift from cooperative growth ambitions to contentious issue-based bargaining in India–US economic relations.

Following the tariff announcement, India began recalibrating strategy: the government indicated it might scale back Russian oil imports, urge energy diversification while maintain strategic ties with Moscow.¹² India’s recalibration suggests a pragmatic balancing act—reducing vulnerability to US economic pressure through energy diversification while

preserving strategic ties with Moscow to safeguard defence cooperation, discounted energy supplies, and geopolitical leverage.

Simultaneously, India explored deepening economic cooperation within BRICS and expanding Free Trade Agreement (FTA) negotiations with regions like the EU, UK, Canada, and Brazil.^{13 14} New Delhi also suspended planned US defence procurements in response to the trade developments, signalling that defence ties could be leveraged amid rising tariffs.¹⁵

Strategic Foundations: Energy Security and the Russia Nexus

India remains Russia's most consistent strategic partner, rooted-in Cold War-era ties across defence, trade, and energy. Though New Delhi sources over half its military hardware from Russia, discounted Russian oil has been a lifeline for energy security. Modulating purchases now is feasible but demands phased implementation—a balance India appears to pursue.¹⁶

India's enduring reliance on Russian defence equipment and discounted oil constrains its ability to rapidly shift energy sourcing without jeopardising strategic and economic interests. Any reduction in Russian imports will likely be gradual, reflecting a phased approach aimed at maintaining energy security while managing geopolitical pressures from the US and its allies.

Geopolitical Ripples Beyond Economics

With India among the first nations hit by secondary tariffs, political scholars observe this as a shift from personal diplomacy to strategic contestation. Modi's earlier overt cordiality with Trump—such as invoking 'Make America Great Again plus Make India Great Again'—now confronts the realities of transactional diplomacy.

India's support for the upcoming Trump–Putin summit in Alaska underscores its preference for diplomatic conflict resolution over punitive pressure. It also projects India's interest in diversified partnerships—not aligned exclusively with either Washington or Moscow.¹⁷

The Road Ahead: Towards Autonomy and Resilience Short- and

Medium-Term Actions.

- Continue negotiation efforts while safeguarding key sectors.
- Reduce Russian oil dependency gradually, scaling up imports from other friendly suppliers.
- Build alternative trade frameworks via BRICS and imminent FTAs.

Structural Reorientation.

- Accelerate domestic value chains in manufacturing, exports, and agriculture.
- Utilise *Make in India* initiatives to buffer external shocks.

- Strengthen diplomatic outreach to ensure sustainable partnerships.

Conclusion

India's response to the imposition of 50 per cent US tariffs marks a defining moment in its diplomatic and economic positioning. PM Modi's response underscores a strong commitment to domestic well-being—especially for farmers, fishers, and producers—making clear that national interests remain paramount, even amid global pressure. The strategic balancing act—mitigating economic fallout while maintaining longstanding alliances with Russia and pursuing new partnerships—reflects New Delhi's nuanced approach to maintaining its autonomy in an uncertain global order. **Endnotes**

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² Boak, Josh, Rajesh Roy, and Fatima Hussein, "India Criticizes Trump's Higher Tariffs," *Wall Street Journal*, August 6, 2025, Live Coverage, accessed August 10, 2025, <https://www.wsj.com/livecoverage/stockmarket-today-dow-sp-500-nasdaq-08-06-2025/card/india-criticizes-trump-s-higher-tariffswjNgtWD9e5hB3qmSzC1z>

³ Manoj Kumar and Sarita Chaganti Singh, "India's Modi Vows No Compromise on Farmers' Interests after Trump's Higher Tariff Announcement," *Reuters*, August 7, 2025, updated August 7, 2025, accessed August 10, 2025, India's Modi vows no compromise on farmers' interests after Trump's higher tariff announcement | Reuters

⁴ Manoj Kumar and Sarita Chaganti Singh, "India's Modi Vows No Compromise on Farmers' Interests after Trump's Higher Tariff Announcement," *Reuters*, August 7, 2025, updated August 7, 2025, accessed August 10, 2025, [India's Modi vows no compromise on farmers' interests after Trump's higher tariff announcement | Reuters](#)

⁵ Ibid.

⁶ "India Russian Oil Modi," *The Times*, accessed August 10, 2025, https://www.thetimes.com/world/asia/article/india-russian-oil-modinv0390f7?utm_source=chatgpt.com®ion=global.

⁷ India Tariff News Live Updates: US Tariffs on India News—Donald Trump, PM Modi, Putin, Ukraine War, India-US Trade," *Hindustan Times*, accessed August 10, 2025, <https://www.hindustantimes.com/indianews/india-tariff-news-live-updates-us-tariffs-on-india-news-donald-trump-pm-modi-putin-ukrainewar-india-us-trade-101754783882352.html>

⁸ Krishna N. Das, Nidhi Verma, Manoj Kumar, and Aftab Ahmed, "India-U.S. Tariff Standoff: What Are New Delhi's Options and Risks?," *Reuters*, August 7, 2025, updated August 7, 2025, accessed August 10, 2025 [India-US tariff standoff: What are New Delhi's options and risks? | Reuters](#)

⁹ Reuters, "Moody's Warns US Tariffs May Hurt India's Manufacturing Push, Slow Growth," *Reuters*, August 8, 2025, updated August 8, 2025, accessed August 10, 2025 [Moody's warns US tariffs may hurt India's manufacturing push, slow growth | Reuters](#)

¹⁰ ibid

¹¹ "2025 Visit by Narendra Modi to the United States," *Wikipedia*, accessed August 10, 2025, https://en.wikipedia.org/wiki/2025_visit_by_Narendra_Modi_to_the_United_States?utm_source=chatgpt.com.

¹² “Why India Can’t Afford to Jettison Its Relationship with Russia,” *Wall Street Journal*, accessed August 10, 2025, <https://www.wsj.com/world/india/why-india-cant-afford-to-jettison-its-relationship-with-russia-5d495768>

¹³ Krishna N. Das, Nidhi Verma, Manoj Kumar, and Aftab Ahmed *ibid*.

¹⁴ “Why India Can’t Afford to Jettison Its Relationship with Russia *ibid*.

¹⁵ Shivam Patel and Aftab Ahmed, “India Pauses Plans to Buy US Arms after Trump’s Tariffs,” *Reuters*, August 8, 2025, updated August 8, 2025, accessed August 10, 2025 [Exclusive: India pauses plans to buy US arms after Trump's tariffs | Reuters](#)

¹⁶ *Ibid*.

¹⁷ India Tariff News Live Updates: US Tariffs on India News—Donald Trump *ibid*.

Maj Gen Sanjeev Chowdhry (Retd) is a veteran with over 37 years of commissioned service. A graduate of the DSSC Wellington, and College of Defence Management during his career, the General officer has served in all types of terrain and environment while on command, staff, and instructional duties. He specialises in the subject of Net Assessment and is presently the Director Editorial at the USI.

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