

Trade Wars and India's Strategic Balancing in an Unpredictable World

Introduction

Amidst the evolving unpredictable global geopolitical landscape, India finds itself traversing a complex maze of alliances, economic pressures, and geopolitical rivalries. In this uncertain milieu, one relationship that has proven resilience and consistency is the India–Russia partnership. As India's ties with the United States (US), which is still a vital partner in defence and trade, gradually come under strain, Moscow continues to stand by New Delhi on matters of strategic significance. India is pursuing a careful multi-alignment strategy, balancing ties with both the US and Russia while managing the implications of the growing Russia–China partnership. Just as Moscow does not challenge India's deepening engagement with the US, India has understood the context of Russia's ties with China. This approach preserves India's strategic autonomy, safeguards critical defence and energy ties with Russia, and maintains cooperation with the US in countering China, allowing India to navigate shifting great-power dynamics without being locked into any single bloc.

The India–Russia relations which always had an element of constancy and mutual trust were in quiescence in past decades due to Russia's expanding ties with China and India's increasing engagement with the US. The bond is now experiencing a period of renewed recalibration. Even though energy cooperation, oil imports, and defence collaboration is at the core of ties with Russia, India's assignations with the US in last decade had made the relationship more transactional. Washington's recent displeasure at India's strategic and commercial engagements with Russia, especially in the nuclear, energy and arms sectors has led to trade tensions between the two countries and added elements of unpredictability and uncertainty in the bilateral relations.

Russian Trust Amidst the United States Unpredictability

Indian Prime Minister (PM) Narendra Modi and Russian President Vladimir Putin's detailed conversation on 08 Aug is a welcome development in the new calculus. The two leaders reviewed bilateral ties and exchanged views on tenacious global issues, including the Ukraine conflict.¹ PM Modi later pronounced the interaction as 'Very good and detailed', thanking President Putin for his updates on the evolving situation and reaffirming India's commitment to bolstering the 'Special and privileged strategic partnership'.² The conversation was preceded by a high-level visit to Moscow by National Security Advisor Ajit Doval, earlier during the month, highlighting the robust backchannel and official diplomatic engagement between the two countries.³

The robustness of India–Russia ties is embedded in decades of strategic trust. During the Cold War, Moscow was India's most significant defence supplier and political supporter, often countering Western pressures. The Soviet Union's support

during the 1971 Bangladesh Liberation War to diplomatic backing on Kashmir cemented Moscow's position as a steadfast partner. That dependability has carried into the post-Soviet era, weathering Western sanctions and shifting global alliances. Even today, nearly 60 per cent of India's military hardware has Russian origins.⁴

Though the US remains India's indispensable partner in technology, investment, and security, its recent behaviour has ruffled New Delhi. Amid escalating trade tensions, the Trump administration has branded India as the 'Maharaja of Tariffs'⁵, signalling a sharp shift from the earlier bipartisan US line of supporting India's rise as a counterpose to China. Washington has been adamant that India must curb its energy imports from Russia, which India perceives as undermining its economic security.⁶ Trump's trade advisor Peter Navarro accused New Delhi of using the US dollars earned from exports to buy Russian oil, alleging that these funds indirectly finance weapons used against Ukraine. He linked the issue to the US national security, defending sweeping tariffs under emergency economic powers, even as economists warned that they were fuelling inflation.

India has strongly rejected the allegations, contending that its earnings from US trade are legitimate and not a form of charity. It has specified that it trades with both the US and Russia, often in multiple currencies including rupees. Indian experts point out that the US itself maintains non-tariff barriers such as Sanitary and Phytosanitary (SPS) measures to protect domestic industries. India has, in fact, reduced duties on several US exports. The interchange reflects a hardening of rhetoric, with Washington implicitly casting India in a strategic light tied to the Ukraine conflict.

The imposition of steep 50 per cent tariffs on Indian goods has unsettled trade relations, upsetting Micro, Small, and Medium Enterprises (MSMEs) that account for 80 per cent of Indian exports to the US.⁷ Experts at the latest policy dialogues have highlighted the 'Asymmetry' in the relationship, warning that the US policy shifts can be sudden and disruptive.⁸ Indian industry sees the tariffs as an embargo rather than a trade measure. According to Siva Ganapathi, MD of Gokaldas Exports, even the earlier 20 per cent tariff had forced companies to absorb costs, resort to product feature reduction (shrinkflation), and avoid price hikes to retain buyers. While a 25 per cent tariff can be managed with improvisation, a 50 per cent levy would make Indian goods uncompetitive, threatening USD 5 bn worth of annual exports to the US, and leading to significant capacity and job losses.

This confrontational situation risks eroding trust between the two largest democracies and could drive India closer to BRICS partners—Russia, China, and Brazil—at a time when the US seeks to unite allies against Beijing. While some analysts see Trump's stance as a negotiating tactic, the linking trade disputes with geopolitical fault lines signals a deeper shift, potentially undermining the shared democratic and strategic agenda that has underpinned India-US ties in recent

decades. To counter the impact, businesses are now looking to pivot towards European and other markets while reducing capacity and costs.

Energy and Economic Security

In contrast, Russia has not only continued but increased oil and gas supplies to India at competitive rates, even under intense Western sanctions. This has provided India with a crucial buffer against global energy price volatility. As one analyst noted, Moscow's willingness to stand by India on sensitive issues, including Kashmir post-2019, is a stark reminder of its strategic steadiness.⁹ Trade between the two nations has also diversified beyond hydrocarbons and there are ongoing collaborations in nuclear energy, space exploration, pharmaceuticals, and connectivity projects, further entrenching the relationship in multiple strategic sectors.

Strategic Autonomy in Action

American policy vacillations, from Donald Trump's transactional haggling to Joe Biden's rational recalibration towards China, have imparted instability in India's strategic space. The US, while seeking security and defence cooperation with India, has often intertwined it with expectations to limit ties with Russia. Alongside, the US–China relationship, despite rigidities, retains significant economic interdependence, blurring the geopolitical fault lines. Washington's approach mixes considered engagement with competitive containment. India must constantly adapt to shifting US priorities that can change with leadership or global crises. India also risks ceding market share to competitors, particularly China, which actively insulates its industries from such shocks.

In an era where alliances are increasingly transactional, the India–Russia bond stands out for its durability. The partnership has been adaptive and continues to serve India's interests. India's policy reflects a realistic approach, which combines the ability to engage with multiple power blocs without becoming beholden to any single alliance. This balancing act has allowed India to strengthen ties with the US and its Quadrilateral Security Dialogue (QUAD) partners while preserving deep cooperation with Moscow.

Emerging Strategic Options for India

India faces a critical moment in its trade relations with the US after imposition of a 50 per cent tariff. This is not an isolated dispute but the possible start of a prolonged US protectionist drive. According to World Trade Organization (WTO) provisions, India has the right to retaliate when trade agreements are violated.¹⁰ A failure to respond decisively would signal weakness, embolden further demands, and erode India's credibility in global trade. Swift, proportionate retaliation is, therefore, essential to defend both economic interests and political sovereignty.

Domestically, India's resistance to opening markets for US agricultural goods is grounded in livelihood realities, underscoring sensitivity of rural economies. At the same time, India's continued import of discounted Russian oil despite the US pressure reflects its commitment to strategic autonomy in energy security, an approach that aligns with several European nations that still purchase Russian energy.¹¹ Such independence must be preserved in trade policy as well, ensuring that India does not compromise its national interest for short-term diplomatic gains.

India's position as a 'Swing State'¹² in the US–China–Russia triangle offers both leverage and exposure. Its policy toolkit includes multi-alignment, diversification of defence partnerships, and active participation in multilateral forums like BRICS, Shanghai Cooperation Organisation (SCO), and the QUAD. By maintaining parallel engagement with Washington and Moscow, and handling its fraught relationship with Beijing, New Delhi can preserve strategic autonomy. It would allow India to deal with multiple partners, shape favourable diplomatic outcomes, and avoid being locked into rigid alliance structures; although sustaining such flexibility will become increasingly challenging as global rivalries deepen.

Strategically, retaliatory tariffs should be deployed as a bargaining chip, not as an act of hostility. The US itself uses tariffs as a lever to extract trade concessions, and India must adopt the same pragmatic approach. A passive or purely reactive stance would invite further economic aggression, whereas a planned, long-term response combining measured retaliation with readiness for negotiation would strengthen India's position.¹³ The goal is not confrontation, but to assert India's economic sovereignty and ensure that any engagement with the US is built on mutual respect and balanced benefit.

Conclusion

As great power rivalries play out in global politics, India is correctly preserving flexibility while upholding its core interests. The US will remain a critical partner in certain domains, but Washington's unpredictable trade and foreign policy decisions accentuate the significance of retaining strong alternative partnerships.

Russia's confirmation through defence collaboration, diplomatic backing, and energy security proves why Moscow remains one of New Delhi's most trusted partners in a turbulent world. Strategic autonomy is ultimately a pragmatic acknowledgment that in an unpredictable global order; trust built over decades is a national asset worth preserving.

Endnotes

¹ Press Trust of India, "PM Modi, Putin review bilateral ties", *Daily Pioneer*, 09 Aug 2025, accessed 10 Aug 2025 <https://www.dailypioneer.com/2025/page1/pm-modi--putin-review-bilateral-ties.html>

² Ibid

³ Ibid

⁴ Pranay Sharma, "Delhi shouts, Moscow is at the doorstep", *Daily Pioneer*, 09 Aug 2025, accessed 10 Aug 2025 <https://www.dailypioneer.com/2025/business/delhi-shouts--moscow-is-at-the-doorstep.html>

⁵ Chidanand Rajghatta, "Emperor of Maladies v Maharaja of Tariffs", *The Times of India*, 09 Aug 2025, accessed 10 Aug 2025 <https://timesofindia.indiatimes.com/business/international-business/emperor-of-maladies-v-maharaja-of-tariffs/articleshow/123192095.cms>

⁶ Ibid

⁷ Express News Service, "Indo-US ties face 'difficult moments'", *The Morning Standard*, 09 Aug 2025, accessed 10 Aug 2025 https://www.magzter.com/stories/newspaper/The-Morning-Standard/INDOUS-TIES-FACE-DIFFICULT-MOMENTS?srsId=AfmBOok0hMprgijPRSEdcO6OHsvOjgr3RnyJurEqzlj4GXW_ge9rBza

⁸ Ibid

⁹ Sharma, "Delhi shouts", *Daily Pioneer*

¹⁰ Swaminathan S Anklesaria Aiyar, "India needs to punch back on Trump's tariffs", *The Times of India*, 10 Aug 2025, accessed 11 Aug 2025 <https://timesofindia.indiatimes.com/toi-plus/business-economy/india-needs-to-punch-back-on-trumps-tariffs/articleshow/123206236.cms>

¹¹ Ibid

¹² Pankaj Saran, "Swinging Four of Geopolitics", *The Times of India*, 08 Aug 2025, accessed 10 Aug 2025 <https://timesofindia.indiatimes.com/toi-plus/international/swinging-four-of-geopolitics/articleshow/123191402.cms>

¹³ Ibid

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