

# WEEKLY ANALYSIS

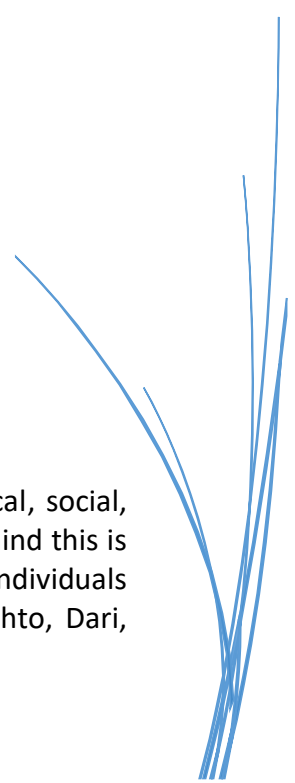
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## THE UNITED STATES–INDIA TRADE WAR AND ITS REGIONAL IMPLICATIONS

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Weekly Analysis is one of the CSRS publications analyzing significant weekly political, social, economic, and security events in Afghanistan and the region. The prime motive behind this is to provide strategic insights and policy solutions to decision-making institutions and individuals in order to help them design better policies. Weekly Analysis is published in Pashto, Dari, English and Arabic languages.



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## THE UNITED STATES–INDIA TRADE WAR AND ITS REGIONAL IMPLICATIONS

### Introduction

Following the Second World War, the Cold War began between the United States and the former Soviet Union. In this rivalry, India, unlike the United States, aligned itself with the Soviet Union. For instance, during the Soviet invasion of Afghanistan, India supported Moscow against the Afghan Mujahideen. Pakistan, however, allied with the United States and backed the Mujahideen against the Soviet Union. To counter the Soviets, Washington deepened its ties with Pakistan, providing it with military and economic assistance in order to ensure its cooperation in defeating the Soviet Union through the Afghan front.

When the Cold War ended and the United States no longer required Pakistan's strategic partnership, it turned its attention toward India, seeking to benefit from India's vast commercial market for its economic interests. Consequently, after 1991, relations between the United States and India grew closer. However, when India developed nuclear weapons in 1998, bilateral ties once again deteriorated, prompting Washington to impose sanctions on New Delhi. Yet, following the September 11 attacks and the U.S. decision to invade Afghanistan, Washington lifted sanctions on both Pakistan and India to secure their support, thereby normalizing relations with New Delhi.

This normalization soon transformed into deeper cooperation when, in July 2005, both countries signed a Strategic Partnership Agreement. Since then, the United States and India have maintained increasingly close ties, with Washington even regarding New Delhi as a strategic partner in countering China's influence in the region. Nevertheless, in August 2025, U.S. President Donald Trump raised tariffs on India, arguing that India's continued purchase of Russian oil indirectly financed Moscow's war in Ukraine. Following the imposition of tariffs, Indian Prime Minister Narendra Modi announced his intention to visit China to participate in the Shanghai Cooperation Organization summit, marking his first visit to Beijing in seven years. In response, Washington doubled tariffs on Indian imports, raising them from 25 to 50 percent, further straining bilateral relations.

This analysis examines the causes behind Washington's tariff hikes against India, the historical background of the trade war between the two nations, its impact on bilateral relations, and, ultimately, the broader implications of this strained relationship for the region.

### BACKGROUND OF THE UNITED STATES–INDIA TRADE WAR

According to 2024 figures, India is the United States' tenth-largest trading partner, while the United States ranks as India's largest trading partner. Bilateral trade between the two countries amounts to approximately USD 129.2 billion annually.



## Largest trading partner for India

1.	US	\$119.7B
2.	China	\$118.4B
3.	United Arab Emirates	\$83.7B
4.	Russia	\$65.4B
5.	Saudi Arabia	\$43.0B
6.	Singapore	\$35.6B
7.	Iraq	\$33.3B
8.	Indonesia	\$29.4B
9.	Hong Kong	\$28.7B
10.	South Korea	\$27.6B

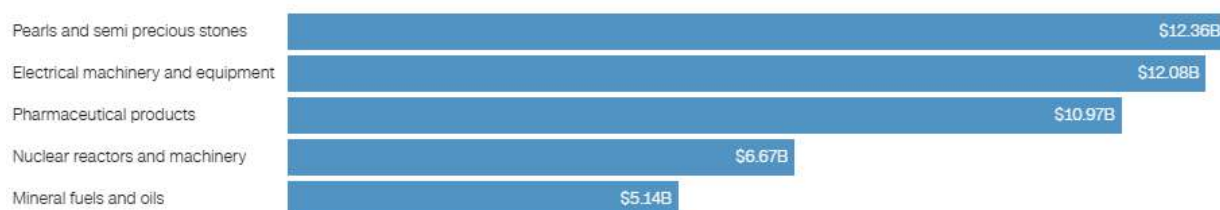
## Largest trading partner for US

1.	Mexico	\$839.9B
2.	Canada	\$762.1B
3.	China	\$582.5B
4.	Germany	\$236.0B
5.	Japan	\$227.9B
6.	South Korea	\$197.1B
7.	Taiwan	\$158.6B
8.	Vietnam	\$149.7B
9.	UK	\$148.0B
10.	India	\$129.2B

*Note: India's trade statistics are based on 2023 data, whereas U.S. figures are from 2024; thus, discrepancies exist between the two sets of numbers.*

Based on 2023 statistics, the United States imported goods worth USD 47 billion from India. These imports primarily included semi-precious stones, electronic equipment, medical devices, nuclear reactors, machinery, as well as fuel and petroleum products.

## US' top imports from India in 2023



The trade war between India and the United States began in February 2018 when President Donald Trump criticized India's high tariffs on American Harley-Davidson motorcycles, calling them unfair. India had imposed tariffs of up to 100 percent on these motorcycles, while the United States levied zero tariffs on Indian bicycles.

In March 2018, Trump imposed a 25 percent tariff on Indian steel and aluminum, framing the decision as part of his broader trade agenda. Subsequently, in March 2019, Washington terminated India's preferential trade benefits under the *Generalized System of Preferences* (GSP). Under this scheme, the United States grants certain countries the privilege of exporting selected goods duty-free. The revocation of India's GSP status affected Indian exports worth nearly USD 5.8 billion, representing a significant loss for New Delhi.

Escalating this trade conflict further, on July 30, 2025, Trump raised tariffs on Indian goods by 25 percent, and shortly thereafter, on August 6 of the same year, increased them again to 50 percent.



## REASONS BEHIND THE UNITED STATES' TARIFF INCREASES ON INDIA

The United States' decision to raise tariffs on Indian goods can be attributed to several factors, which are briefly discussed below:

### 1. India's Purchase of Russian Oil

In 2024, bilateral trade between India and Russia reached USD 66 billion, with both sides agreeing to expand it to USD 100 billion by 2030. According to *Reuters*, India emerged as the largest buyer of Russian crude oil, importing approximately 1.75 million barrels per day between January and June 2025—a 1 percent increase compared to the previous year. From March 2024 to March 2025, India purchased USD 51.61 billion worth of Russian oil. As the world's third-largest oil importer and consumer, India sources around 35 percent of its crude oil needs from Russia. Since the onset of the Ukraine war, particularly between January 2023 and July 2025, India's oil imports from Russia totaled USD 119.3 billion, making it the second-largest purchaser of Russian crude globally.

### Who has imported most Russian oil during Ukraine war

Top importers, in billions of dollars, from January 2023 to July 2025



Source: Centre for Research on Energy and Clean Air

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One of the primary reasons behind Washington's tariff hikes is this extensive Indian oil trade with Russia. President Trump argues that India does not merely import oil for domestic consumption but also resells it on international markets for profit, thereby indirectly financing Russia's war in Ukraine. On his Truth Social account, Trump wrote:

India is not only buying a huge portion of Russian oil but is also reselling it on the global market at high profit margins. India does not care how many people are being killed by Russia's war machine in Ukraine. For this reason, I am raising tariffs on Indian imports."

This statement underscores that India's continued purchase of Russian oil is a central factor in Washington's tariff policy.

### 2. Failure of Trade Negotiations



Upon assuming office for his second presidential term, Trump hosted Indian Prime Minister Narendra Modi for an official visit to Washington in February 2025. During the visit, both leaders pledged to raise bilateral trade to USD 500 billion by 2030 and agreed to initiate negotiations over tariffs and trade regulations.

Between March and July 2025, representatives of both countries held five rounds of negotiations. Initially, it appeared that the two sides might reach an agreement on a 15 percent tariff level. However, some of Trump's specific demands regarding tariff reductions were not accepted by New Delhi. Consequently, the negotiations collapsed, prompting Washington first to impose 25 percent tariffs and subsequently to increase them to 50 percent on Indian imports.

### **3. Tariffs as a Tool of Political Pressure**

In today's international order, India is regarded as a major power and has historically remained a close ally of Russia since the Soviet era. New Delhi seeks to maintain a strategic balance in its relations with both Moscow and Washington, as it does not wish to sever ties with Russia. This is partly due to India's perception that the United States has historically been an unreliable partner on matters concerning Pakistan, often favoring Islamabad and fostering close ties with it.

The United States, therefore, employs tariffs as a means of exerting pressure on India: on the one hand, to realign India's relationship with Russia within the framework of U.S. foreign policy; on the other hand, to reduce India's trade links with Iran; and most importantly, to secure leverage in trade negotiations. Trump has consistently used economic pressure during negotiations to strengthen his bargaining position and extract concessions. Thus, tariffs on Indian goods represent a deliberate U.S. strategy to compel India to yield to Washington's trade demands.

It is worth noting, however, that such tariffs and pressures may only be temporary. Washington is unlikely to risk alienating a major partner such as India, especially at a time when counterbalancing China remains a strategic priority. Similarly, India may also adjust its stance if the United States moderates its position, as New Delhi likewise has no interest in jeopardizing its relations with a global power like Washington.

### **REGIONAL IMPLICATIONS**

In his second presidential term, President Donald Trump adopted a foreign policy approach centered on tariff escalation, leaving almost no country exempt from such measures. In South Asia, Trump announced increased tariffs on Pakistan, Bangladesh, and India. However, both Pakistan and Bangladesh—aware of their economic vulnerabilities and mindful of their



broader strategic interests—chose to act cautiously in trade negotiations. Seeking to preserve and even strengthen their bilateral relations with Washington, they accepted Trump's tariff policies and agreed to implement trade reforms.

Among these states, Pakistan appeared to benefit the most. To facilitate Trump's trade agenda and to expand broader economic ties, Pakistan's Army Chief, General Asim Munir, traveled to the United States. Following a luncheon meeting with Trump, he assessed the negotiations as successful and accepted all of Washington's conditions regarding trade and tariffs to ensure better future relations. Similarly, Bangladesh initially faced a 37 percent tariff—a severe threat to its USD 8.3 billion in exports to the United States. Yet, to avoid deteriorating relations, Dhaka accepted the tariffs and initiated reforms. As a result, Trump later reduced Bangladesh's tariffs to 20 percent, enabling the country to emerge from the process relatively favorably.

India, by contrast, adopted a different stance. When Washington imposed tariffs on Indian goods, citing New Delhi's extensive purchase of Russian oil, Prime Minister Narendra Modi declared that India would act in line with its national interests and would continue importing oil from Russia. This response marked the beginning of a downturn in U.S.–India relations.

Since trade wars are rarely prolonged and often revert to normalcy, it remains possible that Washington will end this conflict with India sooner rather than later to avoid losing such a vital strategic partner in South Asia. This scenario seems plausible given Trump's tendency to reverse decisions quickly. Moreover, in the Middle East, India is an important partner of Israel and a defense trade collaborator. Hence, Washington has an added incentive to reduce tariffs on India to prevent New Delhi from drifting closer to Tehran, a development that would harm U.S. interests against China and Israel's strategic position against Iran.

Nevertheless, a second scenario must also be considered: Trump may refuse to roll back the tariffs, prolonging the trade war and deepening bilateral tensions. Should this scenario unfold, several regional consequences may be anticipated:

**First**, India has long served as a key strategic partner for Washington in South Asia, helping counterbalance China's influence in the Indo-Pacific. A breakdown in U.S.–India relations could push New Delhi closer to Beijing. Evidence of this shift has already surfaced, as Modi announced plans to visit China for the first time in seven years and to participate in the Shanghai Cooperation Organization summit, a move that followed the deterioration of ties with Washington.

**Second**, India would likely deepen its alignment with Russia. Such a shift would initially reshape regional order but could eventually have global implications. As a major power, India's tilt in the ongoing U.S.–Russia rivalry significantly strengthens the side it favors. If bilateral tensions





persist and Washington does not retreat, a substantial transformation in the global order could ensue, with the United States losing its relative dominance.

**Third**, historically, U.S. sanctions have constrained India's ability to cultivate strong ties with Iran. However, prolonged hostility with Washington could motivate New Delhi to expand economic and political cooperation with Tehran, particularly in regional projects. Given Iran's role as a major energy exporter and India's pressing energy needs, this partnership would likely focus on economic and political dimensions rather than security cooperation, meaning India would avoid overtly siding with Iran against Israel.

**Fourth**, a deterioration of U.S.–India relations could benefit Afghanistan's current regime. India's closer ties with China, Russia, and Iran would translate into a greater willingness to engage with the Taliban-led government. Since Moscow already recognizes the Taliban, and Tehran and Beijing maintain close relations with it, these actors would likely encourage India to normalize ties, reopen its embassy, and participate in joint regional projects.

A further positive outcome for Afghanistan would stem from India's enhanced cooperation with Iran. Greater Indian investment in Iran's Chabahar Port would have direct benefits for Afghanistan, as it is a partner in the project and stands to gain from improved regional connectivity and economic development.

## CONCLUSION

During the Cold War, India remained a close ally of the Soviet Union, while Pakistan aligned itself with the United States. Historically, Pakistan has been regarded as Washington's partner, whereas India has maintained strategic ties with Moscow. Many in India still perceive the United States as an unreliable partner, which explains New Delhi's continued refusal to sever relations with Russia. Despite international sanctions, India has persistently purchased large quantities of Russian oil. Until recently, Washington refrained from strongly reacting to these purchases, as India was considered a vital regional ally against China, and there was concern that pressuring New Delhi could jeopardize this partnership. President Trump, however, took a more confrontational stance, imposing higher tariffs on Indian goods. In response, India adopted a firm position, declaring that national interests required the continued import of Russian oil and that such imports would not be halted.

The deterioration of U.S.–India relations benefits Pakistan, as a greater distance between Washington and New Delhi translates into closer ties between Washington and Islamabad. Yet, this dynamic comes at a significant strategic cost for the United States: the potential loss of one of its most important regional partners against China. Under these circumstances,





opportunities arise for Iran, China, Russia, and Afghanistan to strengthen their relations with India and potentially draw it into their strategic orbit.

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### Contact Us:

Email: [info@csrsaf.org](mailto:info@csrsaf.org)

Website: [www.csrsaf.org](http://www.csrsaf.org)

Phone & WhatsApp: +93780618000



[www.csrsaf.org](http://www.csrsaf.org)



[info@csrsaf.org](mailto:info@csrsaf.org)