



KAUTILYA
SCHOOL OF
PUBLIC POLICY

Issue **Brief** Series



“India-US Beyond Tariffs”

Issue Brief: IB-2025-28

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Cite this Report as Pushkar, S. S. C (2025). India-US Beyond Tariffs. [online]. Available at:

<https://kspp.edu.in/issue-brief/india-us-beyond-tariffs>

Abstract

This issue brief examines the evolving dynamics of the India–U.S. relationship in the wake of Donald Trump’s return to the U.S. presidency in 2025. Anchored by the February 13 joint statement and the launch of the U.S.-India COMPACT initiative, the partnership outlines ambitious goals in defense, technology, trade, and diplomacy. However, recent U.S. tariffs on Indian goods have reignited tensions, revealing a complex interplay of strategic alignment and transactional diplomacy. Amid trade frictions, tech wars, and geopolitical shifts, India faces the challenge of deepening ties with Washington while safeguarding strategic autonomy, multilateral engagement, and domestic economic resilience.

Introduction

While this issue brief largely refers to events between February and May 2025, I have updated it to reflect the changing geopolitical relations between India and the United States till September 2025. In July 2025, President Trump announced a 25% tariff on Indian exports, citing India’s continued purchase of Russian oil and arms, high tariffs on US goods, and non-tariff trade barriers. (Zehra, 2025). In August and September, President Donald Trump’s imposition of 50 percent tariffs on Indian goods have triggered capital outflows and potential 0.3-point drag on India’s real GDP growth. (Singh, 2025). The US-India tariff war has reshaped global alliances (De, 2025) and reflects a unique and broader shift in the dynamics of global diplomacy, where hard power collides with strategic interests (Zehra, 2025).

The India–United States relationship has undergone a remarkable transformation over the past two decades – from Cold War mistrust to a flourishing, many-faceted strategic partnership of the 21st century. This upward trend has been characterized by a broadening collaboration in defence, technology, trade, energy, and multilateral diplomacy. The election of Donald Trump back to presidency in the year 2025-often referred to as ‘Trump 2.0’- has re-energized debates

about the future of these pairings, questioning whether it will become a true strategic alignment or regress to a more transactional interest based partnership.

The joint statement made on February 13, 2025 during President Trump's tour to India is a comprehensive road map for near and medium terms two-way relations. The two leaders launched the US-India Compact for the 21st Century with the goal of catalyzing opportunities in military partnership, accelerating commerce and technology exchange, and promoting greater integration on many fronts. It is noteworthy that the "Mission 500" agenda aims at achieving a doubling of two-way trade to \$500 billion by the year 2030, as well as a bilateral agreement for the multilateral sector on the part of both sides, to be concluded by the fall of 2025. This entails increasing market access participation, cutting tariff and non-tariff barriers, more supply chain integration, with massive new investments by Indian companies in the US.

In defense, the leaders declared plans for a new 10 Year action plan to develop the US India major defense partnership to 2035 with ongoing procurement negotiations, co-production and establishment of industry alliance known as autonomous system industry alliance that will pave the way for new generation defense and technology collaboration. Also, the US committed itself to reviewing arms transfer regulations in order to facilitate smooth trade in defense and technology transfer.

Beyond economy and defence, the joint statement emphasized partnership between higher education, facilitation of legal entry of students and professionals, and common goal of addressing illegal immigration and human trafficking. Both countries promised to increase law enforcement cooperation, especially in combating threats to public and diplomatic security-a point stressed by Indian Foreign Minister Dr. S. Jaishankar in recent remarks thanking the US for support in the fight against terror.

In terms of strategy, the February 13 statement underscored the sharpening of convergences

on regional and global issues including Quad, Indo-Pacific security, partnership building with partners in West Asia and Indian Ocean region. The case study is therefore designed to evaluate the impact of Trump 2.0 on India–US relationship in terms of motivations, benefits, risks and policy challenges that India is facing as it engages with this changing often tempestuous alliance.

This case study, through analyzing the specific commitments and frameworks mentioned in the joint statement of February 2025, and accounts and policy speeches: attempts to answer the key question: Is Trump 2.0 a new era of strategic convergence or promise of a return to transactional diplomacy? The answer will have far-reaching implications for the foreign policy choices of India and the larger framework of Indo- US engagement in a power shift ridden world order.

India - US Joint Statement, Feb 13th, 2025

It is a case of strategic reorientation of India-U.S. relations after the return to the presidency of Donald Trump in 2025, with the February 13 joint statement at the head of the new “global strategic partnership” between the two largest democracies in the world (Ministry of External Affairs, 2025; The White House, 2025). The statement projects a dynamic agenda of six key areas that include: Trade and investment; energy security; technology and innovation; defense cooperation; people to people ties; and, multilateral diplomacy (Ministry of External Affairs, 2025).

Central to this recalibration is the U.S.-India COMPACT (Catalyzing Opportunities for Military Partnership, Accelerated Commerce & Technology), results-oriented initiative that underpins the delivery of results in the year and positions the partnership to achieve transformative change under its pillars (The White House, 2025). Notably, the ‘Mission 500’ mission is to increase the volume of bilateral trade over two times to the level of \$500 billion by the year 2030 while

both countries agree to negotiate the multi-sector Bilateral Trade Agreement by the months of fall 2025, reduce tariff and non-tariff barriers, and deepen the integration of supply chain (Press Information Bureau, 2025).

This is set to take Defense cooperation by leaps and bounds, as plans are being made for a new ten-year framework to grow the U.S.-India Major Defense Partnership, expanded tech transfer, joint development of next generation military capabilities, and increased interoperability between the armed forces (Ministry of External Affairs, 2025; India Shipping News, 2025). The initiative such as the TRUST (Transforming the Relationship Utilizing Strategic Technology) which will be initiated in technology and innovation act as an indicator regarding joint research, critical mineral recovery, and collaboration in emerging fields like AI and quantum computing (Chaudhuri, 2025).

The joint statement showcases great intent to integrate India into a multipolar Indo-Pacific order that will serve western interests especially in countering China and yet accommodate India's refusal to lose strategic autonomy and multi-alignment norm in foreign affairs (Ministry of External Affairs, 2025). The MAGA + MIGA (Make America Great Again + Make in India Great Again) is thus a neat summation of the nationalist and self-reliant rendition of Trump and New Delhi's narrative. Though both leaders are pro-sovereignty and national manufacturing, their respective approaches in multilateralism and global standards create both opportunities for synergy and potential sites where conflict can arise and impede bilateral movement (India Shipping News 2025).

Finally, this case examines how nationalist populism with global strategic imperatives is defining the India-U.S. relationship in 2025. The synergy between defense, technology, and diplomacy is also counteracted by enduring barriers including balancing strategic autonomy with a deeper alliance, tackling a trade imbalance, and coping with disparate priorities of a geopolitical nature (Chaudhuri, 2025); Press Information Bureau, 2025). The expanding partnership as

described in the joint statement on February 13 will be that of seizing the opportunities and negotiating the tensions as the two nations fight to become quintessential players in a rapidly remodeling world order.

Analyzing The Key Developments

Power, Geopolitics, and Multipolarity

The growing India – U.S. partnership is a reaction to the rise of China and the turn towards multipolar Indo-Pacific. Both nations try to counter Chinese weight through the QUAD and other strategic partnerships as a manifestation of big power competition and multipolarity (Ministry of External Affairs, 2025; The White House, 2025).

Weaponization of Interdependence and Tech Wars

The weaponization of interdependency and tech wars are mentioned as new security challenges that become tangible primarily in terms of supply chains and technology.

Initiatives such as iCET and COMPACT focused on semiconductors, AI and quantum computing demonstrate the response from India and the U.S are to the weaponization from technology and supply chain vulnerabilities. This U.S.-India partnership in important tech areas is an explicit reaction to the global tech wars and the exigency of technological interdependence.

Relations between the defense ties have grown



Figure 1: The Indo-US Arms Pipeline, India Today

strong due to the intention behind foundational agreements such as COMCASA and BECA.

The February 13 statement called for interoperability, but India remains wary because it gets its arms supplies from many different sources including Russia. Interoperability is quite a big challenge in this case as the arms are directly or in-directly even if they are under the hands of Indians, the operational challenges shall arise and arms sovereignty could be lost in this case for India.

The iCET initiative represents a big change in terms of technology partnership. Trump mentions that India wants to be a semiconductor center, while the U.S. aims to have non-Chinese supply chains to reduce its global supply chain reliability on China. The new partnership now also marks upon space tech and quantum computing.

Energy Security and Climate Change

The U.S.A supplying LNG to India and working in clean energy fits the interest of energy diversification and climate obligation of India. At the same time, the partnership tackles the issue of traditional energy security and a shift towards the renewable energy utilization corresponding to the “energy wars” and climate adaptation efforts (Press Information Bureau, 2025).

Non-Traditional Security Challenges: Migration, Cyber, and Terrorism

The emphasis on diaspora diplomacy, H-1B policies, and the shaping of cybersecurity cooperation machinations directly maps on these non-traditional security challenges. The U.S. changes in immigration policy after Trump 2.0 and joint work to resist cyber threats and terrorism are the practical examples of such challenges in bilateral relations.

Strategic Autonomy and Multi-Alignment

India's quest for strategic autonomy even as it becomes closer with the U.S. is a reflection of its past in multialignment. This has been clearly expressed by India's persistence with NAM, G20, etc. even sometimes going to the extent of causing friction with the process of US unilateralism (Ministry of External Affairs, 2025).

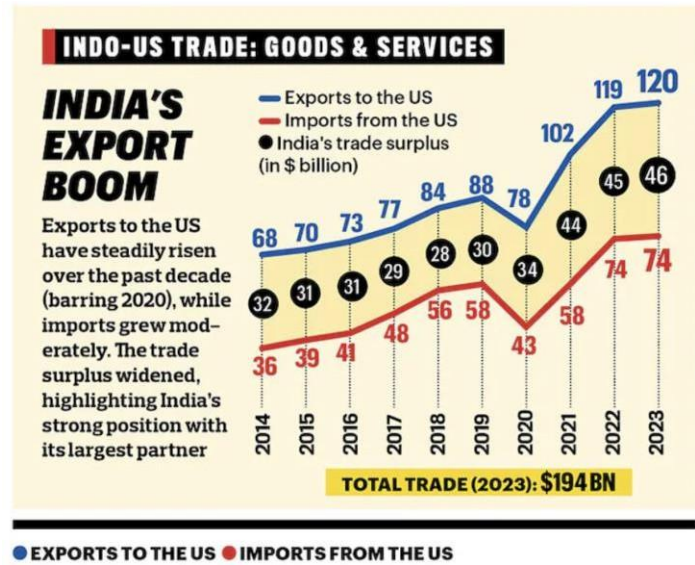


Figure 2: Chengappa, 2025

Risk Analysis, Black Swan Events, and Polycrisis

The volatile nature of the Trump administration and the unpredictable nature of the world polity (such as volatility of trade wars, sudden shifts in policy) make it necessary for India to exercise strategic foresight and risk analysis in taming its U.S. partnership. India is under pressure to open up its markets and lower its tariffs due to Trump's focus on "fair trade". However, India has always employed strategic tariffs to protect home industries and enhance self-reliance. Trade on Bilateral basis has increased, but imbalances still remain. "The polycrisis" idea is applicable to the concurrent issues India has to deal with- trade, technology, migration, and security- all at the same time.

Maritime Security and the Indo-Pacific

The joint statement's emphasis on Indo-Pacific cooperation, freedom of navigation, and maritime domain awareness directly aligns with India's maritime security of SAGAR and

MAHASAR and the strategic importance of sea lines of communication. The Indian Ocean Strategic Venture to build 5000 kms of undersea communication lines is a great opportunity for India to capitalize upon and gain significant influence in the Indian Ocean Region (IOR).

How Bilateral is Security Cooperation?

Defense deals have gone up but the cooperation continues to be transactional. The U.S. uses arms sales to balance trade and India maintains the strategic autonomy at all cost. Sharing of intelligence and joint counter terrorism operations are indicative of trust, but limitations persist because of India's multi alignment strategy.

The transactional quality of security cooperation is evident in the amounts of high value defense export deals and limited technology transfer deals that often have more benefit to American economic interests and Imperialistic geopolitical considerations than to India's long-term strategic interest. India deepens military interoperability through such joint exercises as Yudh Abhyas and Malabar, but declines to enter into binding alliance-like commitments. This conservatism is based upon its domestic and foreign policy consistency with non-alignment dictum and the need to retain strategic options.

More so, even with enhanced intelligence coordination especially with respect to maritime surveillance and counter terrorism, sensitive intelligence sharing is still in select instances. India's dependence on a variety of arms procurement strategies with sustainable defense linkages with Russia, France and Israel is also responsible for curbing the degree of the seamless security integration with the U.S. However, new initiatives such as Indian Ocean Strategic Venture (IOSV) have served to widen maritime domain awareness and logistical cooperation in the Indian Ocean

Region within a framework of more institutionalized security collaboration (Gupta, 2025). Therefore, even with a mutual recognition of the benefits of defense associations, the trust deficit on the two sides and differing strategic visions prevent the deeper relationship of the security partnership.

Policy Implications for India

India has to carefully negotiate the complexities of Trump 2.0. The following policy prescriptions emerge:

India has to set boundaries to prevent its over-reliance on U.S defense platforms and the new tech ecosystems. Although access to American hardware and know-how is useful, India has to guard against falling into dependence upon such hardware in sectors essential to strategic autonomy such as surveillance, telecommunications, and critical infrastructure.

Shopping needs to be avoided. Naval armaments purchases need to make way for joint research, co- production, and technology transfers in a long-term framework. This change will alleviate financial pressure and strengthen indigenous defense production in consonance with the Atma Nirbhar Bharat initiative.

The diaspora needs protection. Diplomatic pressure and people to people engagement are necessary to calm the impact of restricted immigration reforms. This involves fighting for a fair H- 1B processing and green card allotments and academic exchange programs. The Trump administration's modifications to the H-1B visa system in September 2025, including a \$100,000 fee for employers, have led to increased animosity towards visa holders. (Kukreti, 2025).

Multilateralism needs investment. Increasing India's involvement in inclusive platforms such as the G20, SCO, and IORA is important to offset the irrational nature of bilateralism coming from Trump. India can represent itself as a bridge builder between emerging economies.

A dire challenge exists in respect of possible reinterpretation/enforcement of provisions of the Civil Liability for Nuclear Damage Act (CLNDA), India's law that governs nuclear liability. The CLNDA shifts risks from the State to the operator of a nuclear incident (which in India's case is the state owned NPCIL). This has always been a major obstacle in U.S. –India nuclear commerce because the American suppliers want to be indemnified from liability. If the U.S. under Trump 2.0 believes it has to seek legislative dilution or waivers to enable nuclear technology exports, it can result in domestic opposition and legal blocks. Modifications to the CLNDA to suit the external pressure would have serious implications on compromising away the sovereign legislative authority and cross over on the normal public safety criteria. Therefore, even though such cooperation in nuclear energy is still promising, India will have to consider using a strong legal and ethical framework to attend to the strategic gains with national accountability.

Conclusion – The VUCA Paradox

The Trump 2.0 era embodies the VUCA (Volatility, Uncertainty, Complexity, Ambiguity) paradigm. The policies he has put up present opportunities (Technology transfer, alignment strategy) and disruptions (tariffs, immigration bottlenecks). India needs to strengthen its institutional capacities, but avoid reliance on any individual leaders/ regimes, by building bureaucratic resilience, consistent policy over longer-term periods and bipartisan agreement on the foreign affairs front.

Washington's tariffs integrally represent a structural test of India's resilience. A sturdy defence against external pressure is radical domestic competitiveness. The importance that India gives to national security should be the same it should give to internal reforms. If the National Logistics Policy and PM Gati Shakti National Master Plan were fully implemented, it would help cut logistics costs that are notoriously high and erode export margins. Accelerating the digitisation of small enterprises through platforms like the

Open Network for Digital Commerce (ONDC) is another transformative act that directly boosts the global viability of Indian producers. The choice before New Delhi is to either adapt its economic strategy for a strident global order or risk being caught flat-footed whenever US politics turns protectionist. (Singh, 2025)

On a fast changing global plane, India's best option is strategic hedging, strong diplomacy, belief in multilateralism. Great importance should be attached to furthering the strategic partnership with the U.S. but this should not spill over to the loss of sovereignty in decision making and global balancing. India needs also to strengthen its leadership in regional efforts, develop a range of defense and energy alliances, and project its normative agency in carting the global architecture in the sphere of digital governance, climate transition, and maritime security for its long term benefits.

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