## Question 1

**US has imposed double tarrifs on India. Critically evaluate its economic and geopolitical implications on regional and global power politics.**

### 1) Introduction :-

The increasing use of tarrifs as instruments of geopolitical pressure has become a defining feature of US trade policy in recent years. Broader pattern seen in cases like the **U.S-China** trade war, the **Trump** administration applied a same approach towards India. USA weaponized trade policies to enforce foreign policy objectives. Specifically, the administration imposed an additional set of punitive tarrifs on Indian imports, beginning with a 25% secondary tarrifs in August and later introducing further action's that effectively doubled tarrif exposure on certain goods, bringing total U.S tarrifs on targeted India origin products to about 50%. This action has profound implication on economy and geopolitical, its strained bilateral relations, disrupted regional supplies and indicated Trump's willingness to weaponize economic tools. Meanwhile, pushed India to deepen strategic ties with non-western powers.

### 2) Implications:

## A) Economic implications:-

The U.S raised punitive tarrifs on many Indian imports, this mave tied to India's continued purchases of discounted Russian oil (WTO).
~~The tarrifs immediately hit labour intensive and export-oriented sectors.~~

### a) Immediate economic effects that create political leverage:-

Targeted sectors face sharp export losses. Small and Medium entreprisis and export hubs are more affected. This resulted into unemployment and regional political pressure, according to GTRI.

US firms that depend on Indian inputs face higher costs resulted into short-term inflation, according to International trade center (ITC).
The new US tarrifs create pressure on India's balance of payments and overall economic growth. This situation increases India's need to find new export markets, attract foreign investment and maintain financial stability.

### (b) Economic shocks on regional power politics:

If India starts viewing America as an economic threat instead of a reliable ally, it may avoid close cooperation on security, technology and regional defense, this can weaken U.S influence in Indo-Pacific (council on Foreign relations)

(i) India's trade slowdown reduces demand for regional exports:

India serves as a major demand engine and export hub for neighbroing countries.

Bangladesh: Cotton, fabrics and chemicals used in Indian textile production.

Srilanka and Nepal: Tea, rubber and ligh manufactured goods.

When India's exports to U.S fall due to tarrifs (~37.5% by 2025, by GTRI) Indian factories cut production, meaning their import would be less from their neighbors.

(ii) Weaker Indian demand reduces remittances and Service income:

India provide employment for thousands of workers from nearby countries. If export industries (like textile, jewellery and electronics), remmittance flow to certain countries such as Nepal and Bangladesh decline.

(iii) Investment flows and disruption of supply chain:

Regional suppliers and investors depend on India as a gateway to global market. If India becomes less competitive due to tarrifs, foreign investors might delay or divert projects results in less capital inflow into South Asian economies.

(iv) Financial pressure on Regional countries:

Lower trade and investment lead to slower GDP in neighbroing countries. Governments could potentially experience high current account deficits and currency pressure.

According to **World bank** South Asia's growth could slow from 6.6% to 5.8% in 2026, partly due to weaker exports of India due to US based tarrifs.

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## (C) Global Economic implications:

### (i) Disruption in Global Supply chain:

India is a key supplier in pharmaceuticals, textiles, auto components and hardware. U.S tarrifs of upto 50% on Indian goods make these products costlier in global markets.

Multinational companies sourcing from India could face higher input costs and supply delays, pushing them to shift sourcing to Vitenam, Mexico or Eastern Europe.

### (ii) Inflationary pressure on U.S and Beyond:-

Higher tarrifs increase import prices on american consumers.

U.S importers of pharmaceuticals, textiles and jewerly pay upto **25-50%** more according to **GTRI**.

This leads to consumer inflation in the U.S and potentially global inflation.

### (iii) Trade diversion and Competitive Shifts :-

With India less competitive in the U.S market, other exporters benefit.

→ Vietnam and Thialand in electronics
→ Bangladesh in garments
→ Mexico in auto companies.

According to **IMF and WB**, rising protectionism could shave **0.2-0.3%** points off global GDP Growth in 2026 if major emerging markets face sustained trade barriers.

## (B) Geopolitical implications:

India, regional countries and other global countries may experience geopolitical implications:-

### (a) Geopolitical Implications for India:

#### (i) Strategic autonomy: reduce reliance on US:-

India's long-standing doctrine of strategic autonomy; avoiding permanent alignment; may diverse its partnership from U.S towards Russia, France, Japan and Gulf to reduce dependence on any sole power.

#### (ii) Strengthening nationalistic rhetoric:

The Modi government will

likely frame the tarrifs as an affront to India's Sovereignty, strengthening nationalist narratives.
This could harden India's negotiating Stance in trade and security dialogues with the US.
India may build indigenous defense manufacturing and pursue technology partnership with the EU, Russia or Israel.

Weak

**(B) Geopolitical implications for South Asia & Indo-pacific:**

**(a) Weakening of the U.S-India Strategic partnership:**

The tarrifs may undermine years of US efforts to build India as essential for Indo-pacific Strategy against china.
A Strained relationship could reduce the **Quad's coherence** (U.S, India, Japan, Australia)

**(b) Opportunity for china to engage with India economically and reduce containment pressure:-**

China may quietly engage with India through selective cooperation (trade, BRICS). A divided India-

U.S front may reduce containment pressure on China in Indo-Pacific.

**(c) Effects on South Asia: could Shift to China's economic orbit.**

This will give China a greater leverage through BRI investment in Pakistan, Nepal and Srilanka.
This could weaken India's growing regional hegemony.

**(d) India's potential closer ties with Russia:**

The tarrifs may push India close to Russia, especially in energy and defense sectors.

## (C) Global Implications:

**(a) Fragmentation of the Global Trading System:**

The US move reinforces a trend towards weaponized trade policy, this weakens the WTO's legitemacy and accelerates the formations of economic blocs.

| U.S led Bloc | vs | BRICS + Economies |
|---|---|---|

The global trading order shifts from multilateral cooperation to multilateral geo-economic nationalism.

**(b) Rise of Economic Multipolarity:**

Middle powers (India, Brazil, Indonesia) will push harder for multipolar economic systems e.g, alternative payment Systems, non-dollar trade, NDB.

**(c) Shift in global Supply chains:-**

India may trade more with ASEAN, Africa and the Middle East. This would lead to the World which would be more politically polarized.

**Conclusion:**

The U.S doubling of tarrifs on India is not just an economic shock but also a geopolitical Shock. Economically it threatens, jobs, exports and supply chains in India and economic costs on U.S consumers. Geopolitically, it strains a strategic partnership the U.S needs to maintain influence in Asia, pushes India towards alternative partners and accelerates fragmentation of the global trading system into polarized and friend-sharing blocs.