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Fifty Shades of Tariff: Decoding India–US Trade Battles

Dipangshu Dev Chowdhury[1], Nabaraj Bhowmik[2] and Bikram Das[1]
[1]Assistant Professor Faculty of Management and Commerce, ICFAI University, Tripura, India.
[2]PhD Scholar, Faculty of Management and Commerce, ICFAI University Tripura, India.
[3]Assistant Professor Faculty of Management and Commerce, ICFAI University Tripura, India.

ABSTRACT
The tariff dispute between India and the U.S. in 2024 2025 is their most substantial trade relation disturbance since before the 21st century. The U.S. decision to slap the highest tariffs of 50% on significant Indian exports is the main reason behind this confrontation. Also, growing protectionism in the U.S., a tough domestic political situation, and worries about India selling subsidized competitive products have all factored in the dispute. India, which is very dependent on the U.S. market for value added goods, suffered economic shocks right from the get go like cancellation of exports, fluctuations of the exchange rate, rising of inflation, and sectors dominated by MSMEs experiencing textiles, engineering goods, chemicals, and processed foods being hard hit. The conflict had a longer duration because the opposing tariffs India declared also deepened its current account deficit and slowed down GDP growth rate forecasts. In addition to the negative effects on the macroeconomy, the dispute caused the two sides to distrust each other more at the strategic level, thus complicating the partnership which would otherwise be enhanced by the agreements in defense, technology, and energy. The crisis made India rethink its foreign economic strategy by beginning export diversification at a faster pace, picking up domestic manufacturing through PLI schemes, and adjusting her trade diplomacy again. This research traces the escalation timeline, the sectors affected, the macroeconomic effects, and India's strategic conundrum and presents a lot of valuable information on how emerging economies handle tariff wars amid growing global protectionism.

KEY WORDS: INDIA–U.S. TRADE, TARIFFS, EXPORT DEPENDENCY, MACROECONOMIC IMPACT, STRATEGIC DILEMMA, TRADE DIVERSIFICATION.

INTRODUCTION

In 2025, the world trade entered a turbulent period after the United States admitted a 50 percent tariff on some of Indian exports, one of the highest tariff rates in the history of bilateral trade between the two countries. This abrupt rise had been amid being economic nationalism in the U.S. with the rise of trade imbalances, domestic job lay-offs and political pressures by the critical industrial lobbies. To India, a country that is seeking to continue sustaining its export competitiveness, encourage foreign direct investment (FDI), and stabilize its economic growth path after the pandemic, the move presented significant macroeconomic, diplomatic and structural challenges. Over the years, India and the U.S have had an ambivalent yet mutually exclusive economic relationship where India booms in terms of trade in services (especially IT and pharmaceuticals) and the U.S. in terms of trade in goods (mainly in agriculture, textiles, and steel). In the last ten years the bilateral trade volume has reached over $190 billion (2024), which is the highest trading partner between the U.S and India. But trust has time and again been hurt because of persistent disagreements on tariffs, subsidies

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and market access. The 50% tariff of 2025 of the U.S. was a new boiling point in this relationship.

This measure, unlike previous tariff conflicts, was directed to value-added industries - processed agricultural goods, engineering goods and chemicals - squarely facing the export-orientated industries and millions of small and medium enterprises (SMEs) in India. In macroeconomic perspective, the risk associated with the tariff shock was the aggravation of the current account deficit (CAD) in India, the pressure to the downward direction to the Indian rupee, and the inflationary pressures due to the presence of imported goods and broken supply chains.

Simultaneously, the US action underscored the accelerating lack of trust between the two nations. As India increasingly wanted to be closer to U.S. in the arenas of defense, technology and climate collaboration, the move by Washington to impose tariffs on its own was a sign of unreliability in the partnership. India was now confronted with a dilemma of retaliating in force (at the expense of further deteriorating of relationships) or exercise a more restrained, negotiation-based strategy to protect greater geopolitical interests.

This case study addresses chronological accumulation, macroeconomic effects, Indian retaliation, and policy dilemmas involved in the U.S tariff of 50. It looks at the economic effects of trade wars using a macroeconomic lens in that it identifies them to be currency volatility, sectoral dislocations, consumer inflation and structural adjustments in emerging economies such as India. Exhibits and data tables have also been incorporated in the study to show the quantitative aspects of this dispute. Lastly, it cogitates on the more general lessons to the trade diplomacy of India and its long-term growth strategy in a world that is becoming less and less friendly due to tariff wars and broken trust.

Objectives

- To examine how the U.S. tariffs affect the India-U.S. trade and Indian-U.S. economic relations.
- To investigate the dependence of exports of India on the U.S. market and the weaknesses that this dependency produces.
- To determine GDP, currency, and trade balance impacts on the macroeconomic of India in the event of imposing the tariff.
- To examine the strategic problems of India in balancing between economic sovereignty, diplomatic and military relationships.
- To assess the possible trade diversification policies as well as strategies to limit external shocks in the future.

Backdrop: The pre Tariff Friction (Late 2023-Early 2024): The bilateral trade between India and the U.S. is at an all time high in 2023, and the bilateral trade crossed 191 billion in FY2023 24, thus the U.S. becomes the largest trading ally of India [1].Though this was a record growth, the tensions started to appear. The major American lobby groups, especially in the manufacturing, agriculture, and chemical industries complained that Indian exports were flooding the U.S. markets at an artificially low price. The lobbies have claimed that the Indian producers also had access to state subsidies, lower labor prices, and opaque support networks, and it could not be equalized to the U.S. domestic producers [2], 2024). The achievement of India in exporting processed food, especially basmati rice, sugar and marine products induced particular criticism. The domestic support programs such as Minimum Support Prices (MSP) and export subsidies used by India, the U.S. rice and sugar farmers claimed, were unfair trade practices that were against the standards of the World Trade Organization (WTO) [3].

In parallel, the engineering goods and chemical exports of India expanded at a very high rate in 2023, and the U.S. accused the Indian companies of undercutting the American manufacturers in such sectors as specialty chemicals and auto-components. This was also complicated by India being a leading country in the supply of IT services and drugs that had always been a controversial issue in the domestic politics of the United States. The American labor unions accused India of outsourcing IT-related services at the expense of American workers and demanded that the pharmaceutical sector cease trade to exports of generic drugs manufactured in India because they damaged the domestic industry of the United States[4].

Warning Signals: In late 2023 the US trade representatives made a series of public warnings to India:

- Non-Tariff Barriers (NTBs): According to Washington, India had introduced excessive import tariffs and use of regulatory barriers to U.S. agricultural exports (dairy, pork and poultry) into its market, rendering the market highly restricted [2].
- Export Subsidies: The U.S. claimed that India was using banned export subsidies against the WTO regulations, especially in sugar, rice, and textile. The American Sugar Alliance[9] was one of the biggest lobby groups that opposed the exports of Indian sugar into the world, citing them as manipulative to world prices and a threat to American farm earnings [8].
- Dominating the market in service industries: U.S. policy-makers sounded the alarm that Indian IT and pharmaceutical export generated imbalance in bilateral trade. As the IT services constituted almost 80 billion in the imports of the United States of India in 2023, the American companies asserted that unfair dependency was accumulating [5].

These red flags preconditioned a policy confrontation, with the American domestic policy that was predetermined by the upcoming elections and was gaining more and more support to protectionist trade policies.

The export sector of India was also performing well in spite of the mounting tension. In FY2023-24, the yearly growth in India export to the U.S. was about 12 percent, with almost 17 percent of all exports made by India [7]. The U.S. continued to be a key source of growth in the external sector in India to stabilize the current account and balance the increasing energy importation bills. This caused an unequal dependence on a macroeconomic level because the U.S had several sourcing options whereas India depended greatly on the American market to continue with its exports. Therefore, the friction did not yet evolve into a full-blown trade war, but it was the basis of the mistrust, which was strategic. The situation of the policy dilemma was obvious in India because any substantial interference with the U.S. access to the market would have had a grave effect on the growth of its GDP, employment, and external balance stability [10].

Sources for Table 1:

1. Ministry of Commerce & Industry (2024). India-U.S. Bilateral Trade Statistics. Government of India.
2. USTR (2024). 2024 National Trade Estimate Report on Foreign Trade Barriers. Washington, D.C.
3. RBI (2024). Annual Report on India's External Sector. Reserve Bank of India.
4. NASSCOM (2024). IT Exports Report 2024. New Delhi.
5. EXIM Bank of India (2024). Export Sector Review 2024. Mumbai.

- The 21.5% jump in total trade reflects strong interdependence, but the sharp 49% increase in U.S. exports to India shows growing American leverage.
- Indian IT exports ($80 bn) dominate, which fuels U.S. job displacement concerns.
- Processed foods ($6.3 bn) and sugar/rice exports were specifically targeted by U.S. lobbies, citing unfair subsidies.
- India's 17% dependence on U.S. markets makes it vulnerable to tariff escalations.

Table 1. India–U.S. Bilateral Trade Snapshot (2022–23 vs. 2023–24)

Indicator	FY 2022–23	FY 2023–24	% Change (YoY)	Source
Total Bilateral Trade (Goods & Services)	$157.2 bn	$191.0 bn	+21.5%	[1]
India's Exports to U.S.	$117.3 bn	$131.5 bn	+12.0%	[1]
India's Imports from U.S.	$39.9 bn	$59.5 bn	+49.0%	[2]
Share of U.S. in India's Total Exports	15.5%	17.0%	–	RBI, 2024
Top Indian Exports to U.S.	IT Services ($80 bn), Pharmaceuticals ($11.2 bn),	–	–	NASSCOM, 2024; EXIM Bank, 2024
	Engineering Goods ($10.7 bn), Chemicals ($7.5 bn), Processed Foods ($6.3 bn)	–	–	
Top U.S. Exports to India	Crude Oil ($13.6 bn), Aircraft & Machinery ($8.1 bn), Chemicals ($6.2 bn), Pulses & Agricultural Products ($4.8 bn)	–	–	[2]

The stage announcement (Mid 2024): In June 2024, the U.S. Department of Commerce achieved a bombshell by imposing a 50 per cent tariff on a list of Indian exports, which are estimated to be worth about 12 billion US dollars per annum, which are processed rice, sugar, engineering goods (machine parts and electrical equipment), speciality chemicals, and some classes of textile. This reasoning by Washington was three-fold: first, to protect domestically-based-U.S. producers, which others were calling unfairly subsidised, Indian exports; second, to lower the expanding trade deficit with India, which had reached 45 billion in 2023; and third, as a political calculation before the 2024 U.S. elections, which would appeal to the protectionist and working-class voter blocs.

With the announcement, there was an immediate backlash in terms of order cancellations by Indian exporters with most of them reporting orders being cancelled in the week following the announcement; Indian stock market sectors that are dependent on exports declined by 3-5 percent in the week after the announcement; and the Indian rupee lost momentum and dropped [?]82.5 to [?]84.3 against the USD within two weeks, which shows capital outflows and investor nervousness. This sudden rise was a turning point in the trade relations between India and the U.S., which increased the fears of a wider trade-war, and tested the macroeconomic strengths of India.

First Indian Answer (Late 2024): After Washington abruptly raised its tariffs, India reacted with a combination of diplomatic, economic, and narrative policies that would help soften the effects of this move at home, as well as indicate its determination to other global players. New Delhi diplomatically protested to the WTO, denouncing the U.S. move as not being in accordance with multilateral trade rules, and also initiated top-level discussions with the U.S. trade negotiators to grant concessions or exemptions to vital sectors. On the economic front, India implemented a temporary export subsidy program to help the vulnerable industries such as textiles, chemicals and engineering goods to manage losses in revenue.

Also, the depreciation of the rupee was a partial win to the exporters as it enhanced competitiveness in prices, but it was at a cost as it put pressure in the domestic economy through increased importation of goods especially energy. The mass discourse in India was soon growing high; major industry groups FICCI and CII [11][12] threatened that small and medium enterprise (SMEs) would face the greatest losses of jobs and dwindling world orders. According to the media, the tariff was a betrayal of the trust in the larger India-U.S. strategic relationship, and the framing indicated the conflict between the economic warfare and the continuing collaboration in the military, technology, and climate talks. It was the stage when India tried to settle between pragmatism and assertiveness so that it did not get into the full-scale trade war but prepared to encounter additional economic shocks.

Counteraction & Escalation Stage (The Early 2025): By early 2025, the already simmering trade relationship between India and the United States put both countries into a tit-for-tat battle, with New Delhi announcing retaliatory tariffs on a limited range of U.S. products, such as almonds, walnuts, Harley-Davidson motorcycles, and high-tech equipment, not only as a symbolic but also as an economic move. The action was perceived by many as a bid to cushion the domestic manufactures in India, besides sending a strong signal to Washington that it was ready to protect its national trade interests.

On the multilateral level, both nations lodged dispute settlement cases in WTO, but the lengthy process of adjudication weakened the forum to offer prompt relief.
The macroeconomic impact of this increase was felt almost immediately: the growth of exports in India became negative at 2.5 to FY2024-25, compared to 6.8 the year before, which weakened its momentum in exports. At the same time, the current account deficit (CAD) increased to 2.7% of GDP due to a fall in exports and an increase in import bills, and inflation rates rose to 6.2, exceeding the comfort range of the Reserve Bank of India, and increasing the strain on monetary policy. Business groups warned that an extended friction would jeopardise the desire to increase its share of world trade, and U.S. lobby groups rejoiced in the counter-tariffs by India as confirmation of their protectionist story. So Phase 4 was an unfortunate turning point: what had started as a series of specific tariffs was now developing into a full-scale trade war, both sides stuck in the trenches and no sign of a quick way out.

Strategic Rethink (Late 2025): By the end of 2025, India and the United States had already started reevaluating their strategies because the long-term tariff war would cause substantial economic and political expenses. On the Indian-side, policymakers implemented a pivot program that would help to become less dependent on the U.S. market by increasing export diversification to ASEAN, Africa, and Latin America and also expanding domestic production-linked incentive (PLI) plans to enhance manufacturing resilience.

These were the indications of a structural effort to cushion the Indian economy against future shocks associated with unilateral tariff initiatives. In Washington, though, U.S. importers began to express increasing dissent, not only because they were complaining of a rise in the cost of procuring engineering goods, speciality chemicals and processed food in India, but also because consumers were complaining of an increase in retail prices, fueling the domestic inflation story.

Analysts claimed that the conflict had gone beyond bilateral trade frictions to comprise a wider global trend of weaponised trade, in which tariffs and restrictions were becoming more and more a tool of political signalling, not necessarily an actual economic policy. The level of mistrust between the U.S. and India intensified at the strategic level, especially in trade negotiations, even as the two nations were paradoxically treating each other well as defence, digital technology, and clean energy partners. Such duality reflected the confusion of the relationship: Economic opposition on one hand, and geopolitical overlap on the other.

Prelude: Escalating Tensions and Preparatory Signals: By the middle of 2025, even the India-U.S. economic relationship started to be observed as straining. Two issues were central to the conflict: the endemic trade imbalance and energy alternative policies. The high dependence of India on Russian crude oil, which increased to almost 35-40 per cent of all its imported products, came to be questioned intensively by Washington. On the larger U.S. agenda of the reciprocal tariffs, confrontation was to be anticipated. Analysts both in New Delhi and Washington have issued warnings of the fact that this would only worsen a bilateral relationship that is of major strategic importance to the world.

Indian exporters, particularly in textile, leather products, and gems, started to stiffen their necks even before any tangible measures were proclaimed, calculating other avenues and analysing situations of possible losses. The turning point also came on July 31, 2025, when the United States formally put down the framework concerning tariff escalation.

The executive order by President Trump appealed to the doctrine of the reciprocal tariff, which practically opened the legal and political doors to drastic increases towards partners with whom Washington felt that there was an imbalance which was unfavorable. Although the announcement was considered as being a component of a larger policy but not as an India-specific move, the message was clear. It instantly became cold to the Indian exporters: stock markets plunged, risk premiums spread, and industry organizations like FICCI and CII threatened some far-reaching implications. The hope of such a policy move in itself set a shock wave through the trade lines and froze some of the impending deals.

The U.S acted decisively after two weeks. Washington declared on August 6 an increase of tariffs by 25 percent on a broad array of Indian categories of exports, hitting the very core of bilateral trade. This abrupt act was a great blow to the competitiveness of India in its exports. In the U.S. purchasers were canceling or delaying orders as early as hours later, and Indian warehouses were filled with unsold items. The currency markets responded also, the rupee depreciated in the context of the fear of a deficit in trade, and this led to inflationary pressures. Exporters who were already running on very thin margins had to look at piling losses and this caused mass calls to government bailout.

By August 10, it was possible to determine how enormous the damage was. Almost half of the Indian exports to the U.S. consisted of textiles, auto parts, seafood, leather, and chemicals, and were suddenly strained. Industries such as gems and jewellery were overtaken by small and medium enterprises in Surat and Jaipur and were at dire risk of extinction. In Tiruppur, India, the textile capital, producers of orders in millions of dollars were reported, and buyers moved to such rivals as Vietnam and Bangladesh who had lower tariff burdens .The shocks were felt in MSME clusters , where the employment and wages directly threatened.

The more the fear set in, the more the Indian exporters tried to save their shipments by trying to push the shipments through before the complete effect of further hikes would be realized. The year 2025 registered a 21 percent rise in exports to the U.S. between April and July, which is an anomaly spike; much of the increased exports was front-loading of consignments by firms. However, this short-lived increase was marred by an increasing doubt because even the industry giants acknowledged that such plans were only postponing the eventual backlash. It was also the uncertainty which also deterred the new investment in export-intensive sectors because the firms were left unsure about expansion in the long term.

One of the most susceptible industries, the textile and yarn industry, also recorded very dire effects. The Cotton Association of India[13] indicated that the U.S. sales of the Indian yarn had fallen by close to 50 per cent since the increased duties made Indian products less competitive with the competitors in Southeast Asia. Worse still, the tariffs paid by the apparel exporters went up to 60-64 per cent on items such as knitted wear and woven fabrics, as well as home textiles.

These high duties placed India at a structural disadvantage to other nations, such as Bangladesh who had retained preferential trade terms. These innovations threatened the revenue decline but also the long-term loss of market shares. Economists started to measure the macroeconomic impact by mid-August. It was predicted that the GDP growth of India may be hit by 0.6 percentage points and the export-oriented industries may be hit by a sustained contraction. Industry associations had warned that a section of multinational purchasers was in search of moving their sourcing bases out of India to tariff neutral areas.

The crisis therefore posed a risk not only to the short-term earnings but also to the reputation of India as a reliable export market. The threat of capital flight was imminent as companies thought about taking their part of the production to Southeast Asia to avoid U.S. taxes. However, the financial markets began to indicate resiliency by mid-August despite the turmoil. Rupee that had gone down drastically, consolidated to about Rs. 87.2/ U.S. dollar. The decision to reduce political risk, anticipation of tax cuts, and the robust domestic consumption in India, to name a few, contributed towards boosting investor confidence. Rating agencies such as S&P and Moody's held their stable positions with both saying that the external trade had been hit, but the services sector of India and domestic demand cushioned them.

This pessimistic optimism implied that the tariffs were harmful, but the larger growth process in India still had some strength. The BJP and political leadership created an image of resiliency, with emphasis being laid on the nature of the crisis. Ministers pointed to a great domestic market in India and said the tariffs could not stop the overall growth momentum. Nevertheless, official reports were more bleak: almost 48.2 billion dollars in the form of exports was directly exposed to the U.S. tariffs. The difference in political assurance and economic statistics highlighted the issue of how to not only handle economic shocks but also how to handle the media and investor trust. India is now starting to reformulate its trade policy as the crisis continues to linger on. New policies were implemented to assist exporters through credit easing and subsidies.

Meanwhile, New Delhi rejuvenated its free trade agreement (FTA) talks with the European Union, the United Kingdom and ASEAN members as a means of diversification out of the U.S. market. Another policy that the crisis brought back is Atmanirbhar Bharat (self-reliance) with a focus on local production and supply chain diversification. In the field of economics, but even more so, the tariff war echoed into the field of geopolitics: the lack of trust increased in such areas as technology collaboration and security alliances. Unless it is resolved, analysts cautioned that the dispute may result in the commencement of the long-term re-calibration of the India-U.S. strategic equation.

The Strains at Their Peak: As at late August 2025, the tariff dispute between the United States and India was on the verge of its most dangerous stage. What started as a normal announcement of policy in late July had quickly moved into a full scale economic confrontation and had destabilized bilateral trust and caused ripple effects in the areas of trade, currency and diplomacy. The exporters of the core sectors like textiles, pharmaceuticals, gems and jewellery and auto parts became caught up in a vicious cycle of crashing orders and skyrocketing landed costs in the U.S and dwindling profit margins.

It was reported that small and medium size textile companies located in Tiruppur and Surat had to cease production lines, because millions of dollars worth of shipments lost their competitiveness in the U.S. market (turn0news15). Even the Cotton Association of India[13] pointed out that the

U.S. had dropped its purchases of cotton yarn by close to 50% an all-time low which made the industry take note of it. Business lobbies threatened that thousands of jobs in the hubs that rely on exports would be lost unless immediate relief measures are implemented. Macroeconomically, the tariffs worsened the already limited external account pressures in India. The deficit on trade was increasing in 2024 but the abrupt decline in the U.S. demand, which usually takes up approximately 55 percent of the large export base in India, posed a risk to cut merchandise incomes by up to 48.2 billion dollars (turn0news16).

The independent think tanks estimated the tariff shock to wipe off 0.5-0.6 percentage points off the GDP growth of India in FY2025-26 (turn0news19). Even though the rupee had temporarily recovered to the Rs.87.2/$ level in early summer (turn0news14), there was a massive threat of fresh depreciation should export inflows continue to be unstable. Diplomatically, the state of affairs broke towards mid-August. Negotiators of Indian trade openly requested that what they referred to as discriminatory tariffs be withdrawn as a breach of the spirit of WTO reciprocity. Washington, in its turn, justified the actions by a larger plan of mutual tariff alignment aimed at equalising the deficits, bilaterally. This solidified rhetoric increased distrust and the Ministry of Commerce in India publicly stated that they were considering retaliatory tariffs on American agricultural exports, technology equipment and spirits.

These actions were feared by analysts as they could lead to a full-scale trade war between the two countries. These growing fears started to be found in financial markets. The Bombay Stock Exchange textile index dropped drastically in mid-August and pulled the mood in other related sectors like chemicals and packaging. Foreign institutional investors (FIIs) moved into a wait-and-watch approach and reduced the rate at which they were pouring in funds in the manufacturing sector in India. Even credit rating agencies like S&P and Moody, which were nonetheless overall constructive on the growth potential of India in the long-term, sounded cautionary bells that the continued tariff disruptions might harm investor confidence in the Indian export-driven manufacturing narrative (turn0news18; turn0news 27).

The intense pressures, however, were the labour market ones, which were the most urgent. Cancelled contracts were easily translated into layoffs and wage cuts as the MSME sector in India comprised almost 30% of the exports. Textile clusters, diamond-polishing workshops and seafood processing factories were some of the worst affected workers. The issue was presented as not only an economic challenge but a possible social crisis, and trade unions threatened to develop a growing industrial unrest in case the relief measures were not implemented. The spectre of unemployment was approaching to destroy the fragile political economy of export-driven states. The war of tariff also led to a deeper breach of bilateral trust, as well as the direct economics. India and the U.S. had recently entered into an alliance in the midst of Indo-Pacific Strategic Partnership as a foundation of their long-term geopolitical agreement.

But by August 2025 the punitive tariff regime was increasingly being regarded in New Delhi as a form of economic coercion, in order to punish India by virtue of the diversification of its oil imports and by the fact that it sought a more advanced degree of strategic autonomy. This led to clumsy policy dilemmas: can India significantly deepen the interconnection between its defence and technology ties with Washington and simultaneously absorb economic earthquakes which would be delivered by the same partner? The tariff war between India and the U.S. had become a multi-dimensional crisis in the third week of August.

The export business was declining drastically in terms of the economy. Workers and MSMEs were socially weak as never before. Politically, the war was causing internal tension to the Indian government. Strategically, the two democracies had the lowest level of trust for more than ten years. It was as far as it was possible to go, to the extent where both nations were to lose everything unless corrective diplomacy and well-planned counter measures were immediately put into force.

Strategic Quandary: The Indian strategic dilemma concerning the U.S. tariffs is based on the aspect of short-term relief and long-term positioning. The policymakers have to consider the short-term requirements of the industries that rely on exports and the long-term effects on geopolitical alignment and political credibility at home. It is also not a one-dimensional issue but rather a strategic one since India has a tricky relationship with an ally and rival at the same time. The retaliatory tariffs on the American goods could be one of the possible answers. This would offer direct bargaining power and would be attractive to the domestic political feeling by indicating power. In economic terms, it may save weak areas and compel negotiators of the United States to think in terms of harsh treatment.

The risks are however, immense. Due to the possible transformation into a full-scale trade war, the export flows of India might be weakened, the relations in the defence and technology might be endangered, and the investors all over the world would suffer as they rely on the predictability of the trade relations. The other avenue is an option of an agreed settlement by making selective concessions. This would stabilize trade flows, minimize economic uncertainty and investor confidence would be reinstated. Politically, it presents India as a practical actor in the world by diplomacy, which has the ability to control conflicts. However, it has domestic risks: concessions may be seen as a sign of surrender, and the support of the population will reduce, and India will lose its bargaining power in the future in case of trade negotiations.

Alternatively, one can export diversification in the ASEAN, Africa, and Latin America. This would be a long-term solution to minimize the dependence on the U.S. market and increase the economic stability of India under the Atmanirbhar Bharat framework. In the political front, it strengthens the position of India as a market leader in South-South trade relations. However, economically this direction is costly in terms of adjustments, which takes years to introduce new supply chains, create access points to markets and compete with experienced market participants, such as Vietnam and Bangladesh. Under this option, temporary remedy to ailing MSMEs is limited.

Direct cushioning of exporters is provided through domestic policy assistance such as subsidies, Production-Linked Incentive (PLI) schemes and credit relief to maintain employment in such weak industries as the textile industry and engineering goods. Politically, these actions show the efforts of the government to protect the livelihoods and the stability of industries. The risks are more fiscal in nature. Long term subsidies can put a strain on the finances of the government, be subject to WTO review as trade distorting, and are inefficient or poorly distributed. Lastly, India may practice a wait-and-watch policy and not confront but maintain the diplomatic lines open.

This approach conserves the flexibility and avoids unwarranted heightening, and allows time to evaluate U.S. intentions. However, it runs the risk of failing to alleviate the exporters in time, plunging the exporters into a sense of passive action, and Washington might even be encouraged to take even tougher action on trade. Overall, both of these tracks entail a sensitive equilibrium between any political indicators and the economic influence. Each of them presents its own set of risks which should be weighed, because India wants to safeguard its own short-term economic interests and not to lose the strategic plausibility in the unstable international trade arena.

CONCLUSION

The India-U.S. 2024-2025 tariff-face off reveals the expertise weakness of asymmetric trade relations and deep home exposure that emerging economies face in the wake of a sudden change of policy. The intensification, which was based on protectionist pressures, trade imbalances, and industry-specific lobbying, gave rise to extensive economic, political, and strategic implications to India. The short-term impact included the merchandise export business, currency fluctuations, inflation rates, and extreme stress on MSMEs in labour intensive industries like textiles, engineering products, chemicals, and processed foods. In addition to macroeconomic instability, the crisis revealed weaknesses in the institutional readiness of India to external shocks and it was also necessary to diversify the export markets, enhance domestic value chains, and reduce over-dependence on one trading partner.

The extended standoff also highlighted the vulnerability of strategic trust between the United States and India thus impacting on the wider collaboration in defence, technology and world governance. Finally, the tariff dispute shows that India should implement a more sustainable external economic policy, which includes trade diplomacy, diversification of supply chains, predictability of the policies, and a more competitive manufacturing sector so as to reduce the effects of future shocks. With global protectionism growing clearer, it will be the capability of India to strike the right balance between aggressive negotiations and the realization of lasting economic changes which will define its success amidst the growing turbulent environment in the trade arena.

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Data Availability: All data are available with the corresponding author on reasonable request

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