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Trump's Tariff Drama and International Trade: Implications for India

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1. Introduction

The resurgence of protectionist trade policies under President Donald Trump has significantly reshaped the global trade landscape, marking a dramatic departure from decades of liberalization and multilateral cooperation. Central to this shift is Trump's aggressive tariff regime, which has introduced sweeping duties on imports from major trading partners, including BRICS. These measures, often justified on grounds of national security or geopolitical leverage, have led to widespread disruption in global supply chains, elevated commodity prices, and triggered retaliatory actions from affected nations. As one of the world's largest emerging economies and a key U.S. trading partner, India has faced cumulative tariffs of up to 50% on exports to the United States. These tariffs have targeted labor-intensive sectors such as textiles, gems and jewelry, seafood, and leather industries that are vital to India's export economy and employment landscape. The U.S. administration has linked these punitive measures to India's continued importation of Russian oil, framing them as part of a broader strategy to isolate Russia economically. Hours after the U.S. President threatened additional tariff hikes on India for purchasing Russian oil, New Delhi responded sharply, accusing Washington and the European Union of hypocrisy regarding crude imports.

In a statement issued by Ministry of External Affairs on August 4, 2025, India asserted [1]:

i. *India has been targeted by the United States and the European Union for importing oil from Russia after the commencement of the Ukraine conflict. In fact, India began importing from Russia because traditional supplies were diverted to Europe after the outbreak of the conflict. The United States at the time actively encouraged such imports by India for strengthening global energy markets stability.*
ii. *India's imports are meant to ensure predictable and affordable energy costs to the Indian customer. They are a necessity compelled by global market situation. However, it is revealing that the very nations criticizing India are themselves indulging in trade with Russia. Unlike our case, such trade is not even a vital national compulsion.*
iii. *The European Union in 2024 had a bilateral trade of Euro 67.5 billion in goods with Russia. In addition, it had trade in services estimated at Euro 17.2 billion in 2023. This is significantly more than India's total trade with Russia that year or subsequently. European imports of LNG in 2024, in fact, reached a record 16.5mn tonnes, surpassing the last record of 15.21mn tonnes in 2022.*
iv. *Europe-Russia trade includes not just for energy, but also fertilizers, mining products, chemicals, iron and steel and machinery and transport equipment.*
v. *Where the United States is concerned, it continues to import from Russia uranium hexafluoride for its nuclear industry, palladium for its EV industry, fertilizers as well as chemicals.*
vi. *In this background, the targeting of India is unjustified and unreasonable. Like any major economy, India will take all necessary measures to safeguard its national interests and economic security.*

In addition to bilateral tensions, Trump's tariff regime has contributed to a broader climate of economic uncertainty (see for example, Alden et al) [2]. The average U.S. tariff rate has surged to 27%, the highest in over a century, according to the Budget Lab at Yale [3]. This escalation has not only strained diplomatic relations but also undermined the stability of global trade institutions [4]. This essay critically examines the implications of Trump's tariff policies on international trade, with a particular emphasis on their impact on India.

1.1. Trump's Tariff Drama: A 2025 Trade Policy Analysis

In 2025, U.S. trade policy under President Donald Trump's second term escalated dramatically, earning the moniker "tariff drama." Specifically, authorities like the International Emergency Economic Powers Act (IEEPA) and Section 232 of the Trade Expansion Act were invoked to impose sweeping tariffs ranging from 10% to 50% on key imports, justified on national-security and economic-sovereignty grounds marking a more aggressive scope than under Trump's first term [5,6]. Steel, aluminum, automobiles,

copper, semiconductors, electric vehicles, and rare-earth minerals were included, with 25%–50% tariffs applied [6-8]. Targeted exemptions, especially via USMCA (United States–Mexico–Canada Agreement), aligned with defense allies and recalibrated rates for Canada, Mexico, the EU, UK, South Korea, Japan, and others [5,9]. Legal challenges emerged in U.S. courts and at the WTO, including Canada's filing in March 2025, reflecting conflicts between unilateral U.S. actions and global trade rules [10,11]. By mid-2025, the Budget Lab at Yale reported an average consumer tariff rate of 15–18%, with GDP reductions of 0.5%, inflation up by 1–2%, and a projected $2–2.7 trillion in tariff revenues over the next decade despite pending court injunctions on IEEPA-based duties [12].

Economists like Conteduca, Mancini, and Borin concluded that [13]:
"… across all scenarios considered, the new tariffs introduced as of April 2 – even assuming that the grace period results in a permanent suspension of "reciprocal" tariffs – lead to a net global welfare loss of (-1.2%), a stronger loss for the US (-2%), and a sharp fall in trade (-5% overall), especially between the US and China (-90%). Supply chains tilt sharply away from their current geography, sacrificing efficiency and transparency while driving up the cost of designing and policing rules of origin."

1.2. The Genesis of the 2025 Tariff Policy

Trump's trade philosophy has consistently emphasized the principle of "reciprocity," aiming to ensure that U.S. tariffs mirror those imposed by trading partners, while reducing reliance on foreign imports. This approach reflects a broader nationalist economic agenda that prioritizes domestic production and seeks to correct perceived imbalances in global trade. In April 2025, the administration implemented a sweeping 10% global minimum tariff on nearly all imports, coupled with targeted tariffs on Chinese goods reaching up to 34% [5,14]. These measures were not merely political statements; they were anchored in a complex legal framework that expanded executive authority over trade policy. Central to this framework was Section 232 of the Trade Expansion Act of 1962, which empowers the president to impose tariffs for national security reasons a provision historically used sparingly but increasingly invoked in recent years. Similarly, Section 301 of the Trade Act of 1974 provided a mechanism to address unfair trade practices, granting the executive branch significant latitude to retaliate against countries deemed non-compliant with trade norms [5]. It empowers the United States Trade Representative (USTR) to investigate and respond to unfair trade practices by foreign governments. This includes the authority to suspend trade agreement concessions or impose retaliatory tariffs if a country is found to be violating trade commitments or engaging in discriminatory practices that burden U.S. commerce [15,16]. Under Trump, Section 301 was used extensively, particularly against China, to address issues such as forced technology transfers, intellectual property theft, and non-market licensing practices. The administration justified these actions by citing the inadequacy of WTO dispute settlement mechanisms and the failure of past negotiations to secure reciprocal market access. While Section 301 has a clearer statutory basis for imposing tariffs, its unilateral application raised concerns about undermining the multilateral trading system. Critics argued that bypassing WTO procedures could erode global norms and provoke retaliatory measures from affected countries.

Perhaps most controversially, the administration relied on the International Emergency Economic Powers Act (IEEPA), originally intended for foreign policy crises, to justify tariffs linked to fentanyl trafficking and migration-related concerns. Enacted in 1977, IEEPA grants the President broad authority to regulate international commerce during a declared national emergency stemming from an "unusual and extraordinary threat" originating outside the United States. Historically, IEEPA has been used to impose economic sanctions, freeze assets, and block specific imports primarily targeting adversarial states like Iran or North Korea. However, in 2025, President Trump broke precedent by invoking IEEPA to impose tariffs, arguing that trade imbalances, drug trafficking, and geopolitical threats constituted national emergencies. This novel use of IEEPA marked a significant expansion of emergency powers into the realm of trade, raising constitutional questions and sparking legal challenges [17,18]. Federal courts ruled that the statute does not authorize the President to impose unlimited tariffs, citing constitutional concerns under the nondelegation doctrine and the major questions doctrine [19]. The courts emphasized that IEEPA's powers must be exercised to directly address the identified threat not as a general tool for economic leverage. Although the decisions were temporarily stayed pending appeal, they cast doubt on the long-term viability of using IEEPA for tariff imposition. Collectively, these statutes formed the legal scaffolding for Trump's aggressive tariff regime, enabling the administration to bypass traditional congressional oversight and act unilaterally in reshaping trade relations. Supporters argued that these actions were necessary to protect American industries and assert economic sovereignty in an era of global competition. Critics, however, warned that such broad interpretations of executive power risked undermining established checks and balances, setting a precedent for future administrations to wield trade policy as a political weapon [20]. This tension between legal authority and economic strategy sheds light on the complexity of Trump's 2025 tariff initiative and its far-reaching implications for U.S. governance and global commerce.

1.3. Reciprocal Tariffs and Strategic Objectives

By September 2025, the Trump administration's tariff strategy had evolved into a formalized tool designed to negotiate "reciprocal trade agreements" and strengthen U.S. supply chain security. Under Executive Order 14346 (EO 14346) issued September 5, 2025, tariff schedules were revised to White House [21].

- Remove critical minerals and generic pharmaceuticals from reciprocal tariffs.
- Introduce a new framework called the "Potential Tariff Adjustments for Aligned Partners" (PTAAP) allowing reduced Most-Favored-Nation duties upon reciprocal trade and security agreements.

Legal alerts from Lewis Brisbois Bisgaard & Smith and GHY International confirmed that these revisions utilized IEEPA and the National Emergencies Act, and revised Annex II and III of the tariff schedules [22,23]. Post-September 8, 2025, U.S. Customs & Border Protection began enforcing the updated PTAPP adjustments [24]. Analysts viewed these moves as intentional leverage to push trading partners into bilateral agreements favoring strategic sectors, including pharmaceuticals, aerospace, critical minerals, and select agricultural products. As Brookings noted, the 10% baseline tariff augmented by variable rates reflecting bilateral imbalances aimed to pressure high-surplus partners while leaving open paths for renegotiation [25-27]. Robert Z. Lawrence, the Albert L. Williams Professor of Trade and Investment at the John F Kennedy School of Government at Harvard University criticized the methodology of using bilateral deficits as justification, arguing that this could harm small partners disproportionately and exacerbate global supply-chain disruptions [28]. Similarly, Holland & Knight reported that by July 2025, the U.S. had temporarily suspended reciprocal tariffs to provide time for 18 bilateral trade talks, an example of calibrated flexibility within the strategy [29]. Together, EO 14346, PTAPP, and the tariff suspension timeline reflect a dual track approach: leveraging tariffs aggressively to extract concessions while also reducing them selectively through trade-security arrangements to achieve supply chain resilience and reduce foreign dependence.

1.4. Targeting Specific Countries

Countries were selectively targeted based on perceived trade imbalances and unfair trade practices. The Trump administration emphasized that nations with high tariffs on U.S. goods or those engaging in non-reciprocal trade arrangements were undermining American competitiveness. This rationale was formalized in the Report to the President on the America First Trade Policy, which highlighted disparities in tariff rates and non-tariff barriers imposed by countries like India, China, Brazil, and the EU. China was accused of intellectual property theft and forced technology transfers, while India faced criticism for high tariffs on U.S. goods and continued imports of Russian oil, spurring a strategic shift in U.S.-India relations, where economic coercion has begun to overshadow longstanding geopolitical cooperation [30]. The termination of India's Generalized System of Preferences (GSP) status and the imposition of safeguard duties on steel and aluminum further strained bilateral ties.

1.5. Sectoral Impacts: Steel, Aluminum, and Agriculture

Steel and aluminum tariffs were reinstated early in 2025 at 25% and 10%, respectively, before being doubled to 50% under Section 232 by mid-year [31,32]. These hikes were justified as measures to revive domestic manufacturing capacity and reduce reliance on foreign metals, but they triggered concerns about inflationary pressures and supply-chain disruptions. CFR estimated that these tariffs contributed to a 0.15% reduction in GDP growth and a 0.1 percentage point increase in consumer prices over the next three years, reflecting the broader macroeconomic impact of protectionist policies [33]. In contrast, agricultural products such as beef, coffee, and bananas were exempted from tariffs in November 2025, following intense lobbying by industry groups and concerns over rising food prices [34,35]. This selective approach highlighted the administration's balancing act between protectionism and political pragmatism, as exemptions were strategically granted to sectors with strong domestic constituencies and consumer sensitivity. Analysts noted that these exemptions were part of a broader pattern of targeted tariff relief, designed to mitigate backlash while maintaining leverage in trade negotiations [33,36].

1.6. Economic Rationale and Revenue Claims

The administration framed tariffs not only as a trade policy instrument but also as a fiscal tool, asserting they could generate up to $600 billion annually, offsetting tax cuts and reducing federal deficits [37]. President Trump repeatedly emphasized this claim in official memos and speeches, presenting tariffs as a revenue stream comparable to traditional taxation. However, economists and independent fact-checkers challenged this narrative, noting that tariffs operate as an import tax, which is typically passed on to U.S. consumers through higher prices rather than absorbed by foreign exporters [36,38]. Analyses by the Peterson Institute for International Economics (PIIE) and the Congressional Budget Office (CBO) projected that tariff revenues would fall far short of the administration's estimates, while imposing hidden costs on households and businesses through inflationary pressures and supply-chain disruptions [39,40]. This debate underscored the tension between political messaging and economic reality, revealing how tariffs were marketed as a budgetary solution despite their regressive impact on consumer welfare and limited efficacy in deficit reduction.

1.7. Legal Challenges and Global Repercussions

In September 2025, the United States Court of Appeals for the Federal Circuit issued a 7–4 ruling in *V.O.S. Selections, Inc. v. United States* striking down Trump-era *fentanyl*-related tariffs imposed under the International Emergency Economic Powers Act (IEEPA) as unlawful. However, the court stayed enforcement pending appeal, allowing tariffs to remain in effect through October 2025 while judicial review continues. The decision followed a May 2025 ruling by the U.S. Court of International Trade, which had permanently enjoined the IEEPA-based fentanyl and reciprocal tariffs as exceeding presidential authority [41-43]. Meanwhile, retaliatory tariffs from key trade partners intensified systemic uncertainty. In March–April 2025, the European Union announced retaliatory duties, while Canada imposed 25% tariffs on CA$30 billion worth of U.S. exports set to expand further and Mexico and China initiated countermeasures. By mid-2025, global supply chains reeled from the impact: firms delayed or canceled orders, inventories surged, and just-in-time models were disrupted. Economists cautioned that rising input costs and compliance complexities were inflicting downstream inflation and destabilizing long-term trade relationships [13,44-46].

1.8. Historical Comparisons

Tariff regimes have long-shaped global economic trajectories, and Trump's 2025 policy invites inevitable comparisons to earlier protectionist experiments, most notably the Smoot-Hawley Tariff Act of 1930. Enacted during the early stages of the Great

Depression, Smoot-Hawley raised tariffs on more than 20,000 imported goods, pushing average rates from 13.5% to nearly 20% [47]. Intended to shield American farmers and manufacturers from collapsing markets, the act instead triggered a cascade of retaliatory measures. Canada, France, and Britain imposed counter-tariffs, U.S. exports plummeted by over 60% between 1929 and 1933, and global trade contracted by an estimated 65%, deepening the economic crisis and fueling widespread unemployment and bank failures. Economists widely regard Smoot-Hawley as a cautionary tale of how aggressive protectionism can amplify systemic shocks rather than mitigate them. In contrast, Trump's tariffs were more targeted and strategic, emphasizing bilateral leverage over multilateral consensus [48].

His administration introduced a 10% baseline tariff on all imports, with country-specific rates reaching up to 60% for China and 26% for India. Unlike the blanket approach of Smoot-Hawley, Trump's strategy incorporated calculated duties on both direct tariffs and non-tariff barriers such as quotas, subsidies, and regulatory standards. Furthermore, the administration deployed a "carrot-and-stick" approach offering tariff exemptions and tax incentives to firms relocating production to the United States. This nuanced design aimed to pressure foreign governments while incentivizing domestic investment. Nevertheless, Trump's tariffs provoked significant retaliation. Canada, Mexico, the European Union, and China responded with countermeasures, while emerging economies accelerated efforts to diversify trade partnerships. Notably, the backlash contributed to the expansion of BRICS+, a coalition that embraced alternative trade strategies such as local currency settlements and regional supply chain integration. These developments signal a critical lesson from history: while Trump avoided the sweeping uniformity of Smoot-Hawley, his policies still triggered systemic responses that reshaped global trade architecture suggesting that protectionism, whether broad or targeted, carries profound geopolitical and economic consequences.

1.9. Global Trade Impact

Trump's so-called "Liberation Day" tariffs unleashed a seismic shock across global trade networks, disrupting supply chains, inflating commodity prices, and triggering retaliatory actions from major economies [49]. By mid-2025, the average U.S. tariff rate soared to 27% the highest in more than a century [12,50]. This dramatic reversal undermined decades of multilateral trade agreements, eroded confidence in the World Trade Organization (WTO), and sparked fears of a prolonged global recession. Countries began reassessing their geopolitical alignments, accelerating a shift toward regional blocs and alternative trade frameworks. Retaliation was swift and strategic. Canada imposed $107 billion in counter-tariffs targeting U.S. steel, aluminum, and agricultural exports. China levied 10–15% tariffs on U.S. farm goods and launched antitrust probes against American tech giants, signaling a willingness to weaponize regulatory tools alongside tariffs. India, facing a punitive 50% tariff and an additional 25% "secondary tariff" for importing Russian oil, responded by diversifying export markets and strengthening ties with BRICS+, which emerged as a counterweight to U.S.-led trade systems [50]. These retaliatory measures not only disrupted bilateral trade flows but also accelerated the fragmentation of global supply chains.

The sectoral impact was profound. Tariffs on steel, aluminum, semiconductors, and automotive components crippled industries reliant on just-in-time logistics [51,52]. Automotive and electronics manufacturers faced cascading delays in customs clearance, surging raw material costs, and heightened uncertainty in demand forecasting and inventory planning [53-55]. These disruptions stemmed from tariff-induced supply chain fragmentation and the costly reconfiguration of sourcing strategies [56,57]. As Vidya Mani, a supply chain economist at the University of Virginia, observed, tariffs act as a "shock" to the system akin to placing roadblocks on a seamless railway network creating cascading delays and unpredictability [58]. This volatility has rendered strategic planning nearly impossible for businesses, forcing firms to adopt contingency models, nearshoring strategies, and digital risk-mitigation tools. Beyond immediate disruptions, Trump's tariff regime catalyzed structural shifts in global trade governance. The rise of BRICS+ and regional trade agreements reflects a growing trend toward multipolarity, where countries seek resilience through diversified supply chains, local currency settlements, and digital trade platforms. These developments signal a departure from U.S.-centric trade norms and underscore the long-term geopolitical consequences of unilateral protectionism. In essence, the 2025 tariff shock did not merely alter price structures it reconfigured the architecture of global commerce. These disruptions were not uniform across countries; some economies faced disproportionate challenges due to their trade dependencies and energy strategies. Among them, India's experience stands out as a case study in adaptive resilience and strategic recalibration. Confronted with punitive tariffs on critical imports particularly Russian oil and secondary penalties that threatened its energy security, India responded by accelerating diversification of export markets, strengthening ties with BRICS+, and exploring alternative payment systems to reduce reliance on the U.S. dollar. The following section examines how India navigated these pressures, balancing domestic priorities with global realignments in a rapidly shifting trade landscape.

1.10. India's Experience and Implications for its Strategic Response

India's economic journey since 2014 has been marked by strategic reforms, export diversification, and industrial policy shifts that laid the foundation for resilience against external shocks such as the Trump tariffs in 2025. India's GDP grew steadily, supported by trade liberalization and export-led growth strategies [59]. Foreign Trade Policy (FTP) reforms since 2015 focused on boosting manufacturing and services exports [60]. India's exports increased 50-fold from 1991 to 2020, with a compound annual growth rate of 14.47% [60]. The shift from agriculture to industrial products and targeted export promotion schemes helped broaden India's trade footprint. The Production Linked Incentive (PLI) scheme launched in 2020 aimed to boost domestic manufacturing and reduce import bills. By 2024, ₹1.46 lakh crore in investments and

₹4 lakh crore in exports were recorded [61]. Key sectors included electronics, pharmaceuticals, and automotive [62]. The Trump administration's tariff escalation in 2025, which imposed duties of up to 50% on Indian exports, represents more than a bilateral trade dispute, signaling a deeper contestation over the architecture of global economic governance [5,36]. For India, these measures exposed structural vulnerabilities in its export-dependent sectors and underscored the risks of over-reliance on Western-centric trade and financial systems [63,64]. The immediate impact was felt in its labor-intensive clusters like textiles, gems and jewelry, footwear, and auto parts because of cancellations and margin erosion, resulting in an estimated 0.2%-1% drag on GDP, if tariffs persist [63,64]. A report by the Global Trade Research Initiative (GTRI) indicated that 66% of India's exports to the United States valued at approximately $60.2 billion were expected to face tariffs of 50% or higher, which could have led to a 70% collapse in shipments from these sectors [65]. Table 1 shows the impact of Trump Tariffs on Indian exports in top sectors.

S.No	Product Group	US Imports from India (US million, 2024)	Share of USA in India's exports (%)	Impact of tariffs on India's exports to USA (%)	Change in Exports-due to impact of tariffs (US$ million)
1	Fish and crustaceans	2001.6	32.6	-20.2	-404.3
2	Petroleum products	3227.7	4.3	-5.2	-167.8
3	Organic chemicals	3630.7	17.3	-2.2	-79.9
4	Pharmaceuticals	12726.6	54.5	2.1	267.3
5	Plastics and articles	1358.7	16.8	-9.4	-127.7
6	Rubber and articles	1064.1	21.9	-5.3	-56.4
7	Carpets	1288.0	62.8	-6.3	-81.1
8	Apparel; knitted or crocheted	2411.9	32.1	3.2	77.2
9	Apparel; not knitted or crocheted	2521.2	30.7	2.1	52.9
10	Textiles, made up	3100.8	51.3	4.2	130.2
11	Stone, plaster, cement	1041.3	47.9	-8.0	-83.3
12	Diamonds, gold and products	11884.2	40.0	-15.3	-1818.3
13	Iron or steel articles	2834.8	28.1	-18.0	-509.4
14	Machinery and mechanical appliances	7104.0	21.8	-2.0	-142.1
15	Electrical, Smartphone, electronics Products	14395.3	35.8	-12.0	-1727.4
16	Vehicles, and parts	2804.9	12.7	-12.1	-339.4
17	Furniture; bedding, mattresses	1399.7	54.8	1.1	15.4

Source: Extracted from Global Trade Research Initiative. *Impact of New Trump Tariffs on India's Merchandise Exports to USA*. Annex 1-Key Data–Top Sectors [65].

Table 1: Impact of Trump Tariffs on Indian Exports Among Top Sectors

Simultaneously, the expansion of BRICS+, with its growing membership, alternative payment infrastructures, and development finance mechanisms, has accelerated the emergence of a multipolar global order [66,67]. India's strategic response has been twofold: defensive engagement with the U.S. to preserve market access; and, proactive integration into BRICS+ frameworks to diversify trade, reduce dollar dependence, and enhance financial resilience [68,69]. This dual-track approach reflects India's enduring commitment to strategic autonomy, positioning it as a pivotal actor in shaping the norms and institutions of a contested global economy.

1.11. Implications for India's Strategic Response

Implications for India's strategic response through its dual-track governance can be analyzed in four parts:

(1) Tariff-induced vulnerabilities in India's export sectors and macroeconomic stability;
(2) Institutional role of BRICS+ in alternative financial and trade infrastructures;
(3) India's balancing strategy between U.S. engagement and BRICS+ integration under systemic multipolarity; and
(4) Policy pathways for resilience and influence in a contested global order.

I. Tariff-Induced Vulnerabilities in India's Export Sectors and Macroeconomic Stability

- **Tariff and Preference Shocks:** The Trump-era termination of India's GSP benefits (effective June 5, 2019) removed duty-free access for roughly $5.6 to $6.3 billion exports

in 2018, explicitly citing inadequate market access; while India's Commerce Ministry observed limited short-run declines in affected lines (June-October 2019), the episode exposed preference dependence in select sectors and elevated uncertainty in pricing and margins [70,71]. Chauhan found from sectoral review that six of the top nine export categories were largely resilient immediately after withdrawal, though electrical machinery was atypically strong, suggesting heterogeneous vulnerability to tariff preference erosion [70].

- **Spillovers from Global Tariff Escalation:** U.S. Section 232 (25% steel; 10% aluminum from March 8, 2018) and Section 301 China tariffs reshaped global supply chains and prices, affecting India via input costs and demand volatility in metals, electronics, chemicals, and intermediates [72,73].
- **Trade exposure and macro lens:** Despite episodic shocks, U.S.-India goods trade expanded through 2024, with persistent U.S. deficits vis-à-vis India. That persistence shows India's demand-side dependence on the U.S. market and the risk that uniform tariff hikes (10-25%). Generic vulnerability screens in 2024-25 reveal apparel, gems/jewelry, and electronics as most sensitive to tariff storm, with pharma risk contingent on whether zero-tariff lines are swept into broad actions [13,74-78].

Table 2 shows that the U.S. goods trade with India reached an estimated $128.9 billion in 2024. U.S. goods exports to India were $41.5 billion, marking a 3.0% increase ($1.2 billion) from 2023. Imports from India totaled $87.3 billion, up 4.5% ($3.8 billion) over the preceding year. Consequently, the U.S. goods trade deficit with India widened to $45.8 billion, a 5.9% rise ($2.6 billion) compared to 2023. Besides, according to the U.S. Trade Representative, the U.S. services trade with India totaled an estimated $83.4 billion in 2024 [79]. Of this, services exports reached $41.8 billion, a 15.9% increase ($5.7 billion) from 2023, while imports were $41.6 billion, up 15.4% ($5.6 billion) year-over-year. This shift resulted in a modest $102 million trade surplus, compared to a $76 million deficit in 2023.

Year	U.S. goods exports to India	U.S. goods imports from India	Total goods trade	U.S. goods trade balance
2017	25.68	48.64	74.33	-22.96
2018	33.57	54.46	88.03	-20.89
2019	34.41	57.67	92.08	-23.26
2020	27.29	51.22	78.51	-23.93
2021	39.87	73.28	113.15	-33.41
2022	47.36	85.75	133.11	-38.39
2023	40.32	83.56	123.88	-43.24
2024	41.54	87.34	128.88	-45.8

Source: compiled from the U.S. Census Bureau. *Trade in Goods with India: 2024 annual totals* [Table, annual data, nominal basis] [80].

Table 2: U.S.–India Goods Trade (U.S. perspective), 2017–2024 (billions of U.S. dollars)

II. Institutional Role of BRICS+ in Alternative Financial and Trade Infrastructures

- NDB-Scale and Local Currency Emphasis: The New Development Bank (NDB), created at the sixth BRICS Summing in 2014 to "mobilizing resources to finance infrastructure and sustainable development projects in developing countries," has an authorized capital of $100 billion, with approximately $52.7 billion paid in. Its portfolio includes about 96 approved projects totaling $32.8 billion, spanning clean energy, transportation, water/sanitation, social and digital infrastructure, and a growing local currency pipeline designed to reduce dollar dependence and complement Bretton Woods institutions [81,82]. A snapshot of BRICS+ finance architecture is included in Table 2.
- CRA-Pooled Liquidity Backstop: The Contingent Reserve Arrangement (CRA) provides a $100 billion currency-swap safety net, with contributions of $41 billion from China, $18 billion each from India, Brazil, and Russia, and $5 billion from South Africa. Larger drawings those exceeding 30% of a member's quota are historically tied to IMF engagement, which has limited actual usage but retains strong signaling value as a Southern-led financial backstop. The CRA is now evolving toward early-warning systems and digital monitoring tools, reinforcing its role in mitigating balance-of-payments stress [83,84].
- Payments and De Dollarization: The Johannesburg II Declaration (August 2023), which led to BRICS expanding in 2024 with the admission of Egypt, Ethiopia, Iran, and the UAE, placed strong emphasis on inclusive multilateralism, local currency settlement, and resistance to unilateral coercive measures [85,86]. In line with this vision, the New Development Bank (NDB), Contingent Reserve Arrangement (CRA), and emerging cross-border payment platforms including BRICS Pay and BRICS Bridge are being developed to diversify institutional reliance and enhance financial autonomy, aiming to reduce exposure to dollar-based systems and integrate early-warning mechanisms and digital tools [11,66,87].

Institution	Key parameters	Governance & membership	Functional focus
New Development Bank (NDB)	Authorized capital $100b; paid-in ~$52.7b; 96 projects; ~$32.8b financing	HQ: Shanghai; regional office in Gujarat (India); members: BRICS 5 + Bangladesh, UAE, Egypt; rotating presidency	Clean energy & efficiency; transport; water & sanitation; environment; social & digital infrastructure; local-currency financing
Contingent Reserve Arrangement (CRA)	Pool $100b; contributions: CN $41b; IN/BR/RU $18b; ZA $5b; access limits vary	Inter-central bank swaps; partial IMF linkage for larger draws; test-runs completed; early-warning tools in development	Short-term BoP/liquidity support; FX stability; potential local-currency evolution

Sources: BRICS. New Development Bank [81] New Development Bank. (n.d.). NDB (*focus areas*). https://www.ndb.int/about-ndb/focus-areas/

Table 3: BRICS+ Finance Architecture Snapshot (NDB & CRA)

III. India's Balancing Strategy Between U.S. Engagement and BRICS+ Integration Under Systemic Multipolarity

- **Selective U.S. Led Engagement (IPEF):** India remains deeply engaged in the Indo-Pacific Economic Framework (IPEF) but opted out of its trade pillar. Instead, it played a central role in operationalizing the Supply Chain Agreement, signed in November 2023 and effective from February 2024, and co-leads its implementation structures, including the Supply Chain Council, Crisis Response Network, and Labor Rights Advisory Board, with India elected as Vice Chair of the SCC. This strategy enables India to influence global supply chain standards without committing to market-access disciplines [88,89].
- **Currency Internationalization and Bilateral Corridors:** Parallel domestic measures, such as Special Rupee Vostro Accounts (SRVAs) and FEMA liberalization, have accelerated INR-based settlements. By February 2025, India reported 156 SRVAs across 26 Indian banks, linked to 123 correspondent banks from 30 countries. Additionally, the Reserve Bank of India (RBI) signed memoranda of understanding with the UAE, Indonesia, and the Maldives to expand local-currency trade, creating a payment hedge even as India maintains U.S. market access through supply chain cooperation rather than tariff concessions [90-92]. Table 4 shows the INR-local currency settlement and policy timeline.

Date	Policy action	Key details
July 11, 2022	RBI introduces SRVA framework	Enables invoicing/payment in INR via Special Rupee Vostro Accounts with overseas banks
December 2023	FEMA regulations revised	Allows cross-border transactions in all foreign currencies and INR; facilitates exporter foreign-currency accounts
January 16, 2025	RBI press release—further liberalization	Expands use of INR accounts overseas; enables settlement among non-resident INR accounts; clarifies exporter accounts abroad
February 7, 2025	Parliamentary status update	156 SRVAs opened with 26 Indian banks; 123 correspondent banks; 30 partner countries

Sources: Press Trust of India. (2025, February 7). RBI expands rupee settlement framework; 156 SRVAs operational. *Economic Times*; Press Trust of India. (2025, February 7). RBI signs MoUs with UAE, Indonesia, Maldives for local currency trade. *Business Standard.; Reserve* Bank of India. (2025, January 16). *Operationalization of Special Rupee Vostro Accounts and cross-border settlement updates [Press release].*

Table 4: INR Local Currency Settlement (SRVA) and Policy Timeline (India)

IV. Policy Pathways for Resilience and Influence in a Contested Global Order

- To strengthen financial resilience and reduce external vulnerabilities, it is important to pursue a multi-pronged strategy focused on market and instrument diversification. This includes scaling local currency trade through Special Rupee Vostro Accounts (SRVAs) and formalizing bilateral Memoranda of Understanding with key partners such as the UAE, Indonesia, and Maldives. Concurrently, the New Development Bank (NDB) should deepen co-financing arrangements in critical sectors—clean energy, transportation, and digital infrastructure to mitigate dollar-denominated risks and enhance sustainable development. In parallel, reforms to the Contingent Reserve Arrangement (CRA) must be sustained, with emphasis on operational readiness and the deployment of robust early warning systems. These measures will collectively provide a credible framework for balance-of-payments shock insurance and safeguard macroeconomic stability in an increasingly uncertain global environment [93-95].
- Harden Supply Chain Resilience while Preserving U.S. Access: To enhance supply chain resilience while preserving U.S. access to key markets, the Administration should fully leverage the Indo-Pacific Economic Framework's (IPEF)

institutional architecture namely the Supply Chain Council (SCC), Crisis Response Network

- **Crisis Response Network (CRN):** CRN and Labor Rights Advisory Board (LRAB) plan to develop detailed sector-specific "playbooks." These playbooks must address semiconductors, critical minerals, active pharmaceutical ingredients (APIs), and battery chemistries by proactively aligning standards, coordinating crisis-response protocols, and facilitating contingency planning, all while avoiding binding tariff concessions [96,97]. The SCC's first-year sectoral workplans including subcommittees on semiconductors and chemicals demonstrate promising institutional foundations for this approach [98,99]. Meanwhile, IPEF's commitment to non-tariff regulatory alignment and technical cooperation provides ample flexibility to shape international norms without compromising domestic tariff autonomy [96,100]. By institutionalizing these mechanisms within IPEF's three bodies, the U.S. can build durable, non-binding frameworks that bolster supply chain resilience, facilitate investment, and maintain U.S. strategic leverage in critical sectors, safeguarding both economic security and export competitiveness.
- **Deploy FTP 2023 for Agility:** To enhance export agility and resilience, the Foreign Trade Policy (FTP) should be strategically deployed to pivot promotion toward markets less vulnerable to global shocks. This involves leveraging FTP 2023's provisions for accepting rupee realizations in international trade, facilitating the transition to the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme, and operationalizing district export hubs and e-commerce export hubs to broaden market access [101,102]. Additionally, compliance processes should be streamlined through end-to-end digitalization and targeted facilitation for micro, small, and medium enterprises (MSMEs), ensuring reduced transaction costs and improved ease of doing business. These measures collectively aim to strengthen India's export competitiveness, diversify trade partners, and build resilience against external disruptions [103].
- **Norm Setting in Plural Governance:** To advance interoperable trade governance within a pluralistic global order, policymakers should leverage BRICS+ communiqués emphasizing inclusive multilateralism and local currency use, alongside Indo-Pacific Economic Framework (IPEF) institutions focused on supply chain resilience, labor rights, and clean economy initiatives. This approach should promote governance models built on multiple rails enabling transactions in both U.S. dollars and national currencies while fostering cooperation among multiple multilateral development banks (MDBs), such as the New Development Bank (NDB) operating in tandem with the World Bank and Asian Development Bank. Furthermore, modular commitments should be prioritized to preserve sovereign policy space while ensuring flexibility in regulatory alignment and standards-setting [84,86,97,99]. By embedding these principles into BRICS+ and IPEF frameworks, nations can shape a more inclusive, adaptive, and resilient global trade architecture.

In summary, building economic resilience and global competitiveness demands a comprehensive, multi-pronged strategy. First, diversify markets and financial instruments by expanding local currency trade through SRVAs and bilateral agreements, while deepening NDB co-financing in clean energy, transport, and digital infrastructure, alongside CRA reforms to safeguard against balance-of-payments shocks. Second, strengthen supply chain resilience without tariff commitments by leveraging IPEF institutions to develop sector-specific playbooks for semiconductors, critical minerals, APIs, and battery chemistries, thereby shaping global standards. Third, deploy FTP 2023 to enhance export agility through rupee-based trade, RoDTEP transition, district and e-commerce hubs, and streamlined compliance via digitalization and MSME facilitation. Finally, advance plural governance norms by using BRICS+ and IPEF platforms to promote interoperable trade frameworks multiple currency rails, collaboration among MDBs, and modular commitments that preserve sovereign policy space.

2. Conclusion

Trump's 2025 tariff drama underscores a multidimensional struggle at the intersection of economic nationalism, legal contestation, and geopolitical maneuvering. While the administration portrayed tariffs as instruments of sovereignty and strategic leverage, their rollout exposed structural vulnerabilities within the U.S. economy and governance framework. The reliance on expansive interpretations of statutes such as Section 232, Section 301, and IEEPA highlighted the growing tension between executive authority and constitutional checks, sparking judicial scrutiny and congressional resistance. Economically, the policy delivered short-term revenue gains but triggered inflationary pressures, supply chain disruptions, and retaliatory measures that eroded export competitiveness. On the global stage, the tariffs accelerated a realignment of trade blocs. In response to U.S. protectionism, emerging economies deepened cooperation through BRICS+, expanding beyond Brazil, Russia, India, China, and South Africa to include new partners in Latin America, Africa, and the Middle East. This coalition advanced alternative trade strategies, such as local currency settlements, regional supply chain integration, and digital trade platforms, aiming to reduce dependence on the U.S. dollar and Western-centric trade systems. These moves signaled a shift toward multipolar trade governance, challenging the dominance of traditional institutions like the WTO and reshaping global economic norms. Ultimately, the 2025 tariff experiment raises fundamental questions about the sustainability of unilateral protectionist strategies in an era of deep interdependence—where economic nationalism can catalyze counterbalancing alliances and systemic transformations. The episode serves as both a case study in assertive trade policy and a cautionary tale about the unintended consequences of tariffs: not only economic disruption but also the emergence of alternative global trade architectures that may redefine the future of international commerce [104-106].

Limitations

This study limitations may affect its robustness. First, trade data for 2024–2025 remain preliminary and subject to revision by U.S. and Indian agencies, while sectoral vulnerability estimates

rely on projections rather than observed tariff impacts. Second, institutional opacity hampers validation: BRICS+ mechanisms like the Contingent Reserve Arrangement lack transparency, and granular data on local-currency lending by the New Development Bank are limited. Third, policy fluidity adds uncertainty India's rupee internationalization and FEMA reforms are evolving, and future U.S. trade policy may diverge from Trump-era patterns. Finally, the scope is narrow, focusing on India's dual-track strategy without comparing other emerging economies or examining non-tariff measures such as digital trade rules and environmental standards, which increasingly shape global trade governance.

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