

US tariffs 'risk pushing India towards Beijing'

Will Modi buckle under the pressure from Trump? Or keep buying Russian oil, asks Arjuna Keshvani-Ham

For President Trump it was a risk. Further tariffs on India could nudge the world's largest democracy closer towards China and even push up the price of gas for the average American.

But as his frustration grows over a failure to achieve a meaningful peace deal in Ukraine, it was a risk he thought worth taking.

Yesterday Trump announced sweeping new tariffs on India. In addition to 25 per cent coming into effect today, Trump announced a further 25 per cent to begin in 21 days' time — a punishment for India's refusal to stop importing Russian oil and gas.

In India, analysts and politicians are reeling. "This is the first time in independent India's history that a US president is asking for a public display of subordination", said Sidharth Raimedhi, a fellow at the Council for Strategic Defence Research in Delhi.

India's foreign ministry branded the move "unfair, unjustified and unreasonable".

"It's extremely unfortunate that the US should choose to impose additional tariffs on India for actions that several other countries are also taking in their national interest," a statement read.

The opposition MP Shashi Tharoor said the additional tariffs showed a "double standard".

"They have given the Chinese a 90-day break, but the Chinese are importing far more Russian oil than we are," he told local media.

For India, Trump's threat is galling. Until recently it had been encouraged to buy Russian gas, in order to help keep the price of Brent crude stable.

Janet Yellen, the US Treasury secretary under Joe Biden, said in November 2022 that the United States was "happy" for India to buy as much Russian oil as it wanted. Geoffrey Pyatt, the assistant secretary of state, said in February last year: "India has played a key role in efforts to stabilise global energy markets through its purchases of Russian crude." The perceived hypocrisy is worsened by the fact the US continues to import Russian uranium hexafluoride for its nuclear industry,

Analysis

Economists say Delhi could easily switch to other global energy suppliers, enabling it to avoid tariffs and avoid punishment from the United States (Mehreen Khan writes).

Shilan Shah, of Capital Economics, said switching suppliers "wouldn't be very difficult". He added: "Virtually all of India's oil purchases from Russia arrive via ship. It would be much more tricky to switch if it was delivered through pipelines."

India has profited from Russia slashing its energy prices in order to find new markets since being hit with sanctions after it invaded Ukraine. Shah said the recent fall in global energy prices, however, meant an average barrel of Russian oil was only about \$4 cheaper than Brent crude — a benchmark for oil pricing.

This shrinking discount has led some public refiners in India to reduce Russian imports but the government has been defiant in the face of President Trump's threats. Analysts at Teneo, a political risk consultancy, said private refiners were continuing their purchases and "Russian investments in India suggest long-term energy ties will remain intact".

Shah said Indian officials may be banking on the US tariff threat being a negotiating tactic. He said: "Modi may reasonably think that Trump will blink first, because Trump has previously targeted lower oil prices and may therefore be hesitant to do something that would risk achieving the opposite."

palladium for its electric cars, and various fertilisers and chemicals.

India and the US — whose bilateral trade is worth over \$190 billion — have historically struggled on the free-trade negotiating table. Issues that derail talks include India's resistance to opening up agricultural markets.

Trade talks in June are said to have broken down after five rounds despite technical agreements on most issues. Both sides blamed mixed signals, bit-

terness and political misjudgment.

India-US relations have been particularly strained since Trump claimed credit for mediation during recent clashes with Pakistan. India tacitly refused to give Trump credit, while Pakistan publicly thanked him.

How India's prime minister, Narendra Modi, responds now will be critical at home and abroad.

The approach of Indian politicians is usually to appease Trump.

"India was conceding on things in an unprecedented manner — agreeing to import more American cars, for instance. So there's nothing to blame India for on that front," Raimedhi said.

"It appears it's more political. It's a psychological thing. If you show eagerness and weakness, Trump will try and take everything he can get."

Yet over the past few days the winds appear to have changed. Members of Modi's party, the BJP, came out openly criticising Trump, who has been increasingly ridiculed on Indian right-wing social media platforms.

In terms of next moves, the government will be split, Raimedhi said.

"The negotiations will play out on two levels," said Monish Tourangbam, senior research consultant at the Chinan Research Foundation in Delhi. On one, there's the "usual bureaucratic business of negotiation". Further trade talks are scheduled for August 25.

But negotiations will also have a public face. "The bilateralness of it, and the public, acerbic comments — these are something India will have to deal with on a domestic level."

"We might just have to wait out the Trump storm, like any other country."

If negotiations fail, the risk is that the world's largest democracy may nudge closer to Russia and China. "It's definitely a possibility," said Raimedhi.

Already, conversations have begun between the usually hostile neighbours, with talks scheduled between Modi and President Xi in October, at the Brics summit. This will mark their first formal discussion in five years.

Modi is set to travel to Tianjin in China this month for the Shanghai Cooperation Organisation summit, his first trip to the country since 2019. He will be joined by Xi and President Putin, among others. The summit is scheduled for August 31.

Nonetheless, much of this may be Delhi posturing. "There may be a lot of bargaining chips, but I don't see a substantial shifting on the ground," Tourangbam said. A substantial shift towards China was "far-fetched".

Experts indicate the Indian government is looking for concessions to offer the US ahead of negotiations at the end of the month. Analysts say Indian oil refineries may have already started to reduce Russian oil purchases.

India is also likely to commit itself to more defence purchases from the US.



Narendra Modi could rethink India's allegiances after US tariffs increase