

What falling out with the US means for India

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In February, Indian Prime Minister Narendra Modi stood beside US President Donald Trump at the White House, projecting optimism as they pledged to lift bilateral trade to \$500bn by 2030 and hinted at a new comprehensive trade agreement. In a display of bonhomie emblematic of deepening strategic co-operation, Modi invited the US president to India for the planned Quad leaders' summit later this year. Echoing Trump's "Make America Great Again" slogan, Modi declared he was working to "Make India Great Again", adding that "Maga plus Miga becomes a mega partnership for prosperity."

Within just a few months, this mega-partnership has given way to mutual recriminations and punitive action. Trump announced tariffs of 25 per cent on Indian imports, accusing New Delhi

of erecting "strenuous and obnoxious" trade barriers, then promptly doubled them to a draconian 50 per cent with threats of further increases. The reason: India's continued purchases of Russian oil, which Washington contends are undermining its sanctions regime on Moscow. Trump has ruled out further negotiations until these disputes are resolved.

Efforts to finalise an interim trade deal fell apart abruptly after five rounds of talks, despite India's willingness to increase US energy and defence imports and to lower tariffs on American industrial goods. The collapse has left \$190bn of annual trade in limbo and a \$46bn deficit unaddressed.

Trump's actions have triggered a wide-ranging fallout. The decision to subject India to the highest tariff rates of any Asian partner sharply undermines New Delhi's ambitions in the Indo-Pacific. Although the foreign ministers of Australia, Japan, US and India recently met in Washington, the much anticipated Quad leaders' summit now seems unlikely. Instead, the US risks driving India closer to Russia, and

potentially even to China, which Modi is planning to visit later this month.

Rather than buttressing India as a counterweight to Chinese assertiveness — the premise that had tied India and the US for the past 25 years — Trump seems to be abandoning New Delhi. Meanwhile, he has courted Pakistan with preferable tariff rates and an oil exploration pact just months after India and Pakistan teetered on the edge of

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war, spotlighting Kashmir and treating the two nations as equals — moves that India abhors. The sense of grievance was aggravated when Trump hosted Pakistan's army chief for lunch at the White House in June.

If Trump follows through, the economic impact on India will be severe. The doubling of tariffs threatens India's

\$87bn export engine to the US — 18 per cent of its total exports and more than 2 per cent of GDP. Industry experts warn of a 40-50 per cent reduction in shipments, especially for labour-intensive sectors such as textiles, jewellery and automobiles. Small and medium-sized industries face a crisis in competitiveness, while GDP growth forecasts have been revised down by as much as 1 per cent. The immediate market impact is acute: a weaker rupee, risk of imported inflation, an exodus of foreign portfolio investors, and rising borrowing costs for foreign currency debtors.

These developments also risk upending India's domestic politics. Modi, whose exaggerated claims of foreign policy achievements — anchored in his supposed personal rapport with leaders like Trump — have been integral to his political standing among India's middle-class, now faces withering domestic criticism. The opposition Indian National Congress party labelled him "Narendra Surrender" for yielding to pressure. US-backed Hindu nationalist groups, politically vital for Modi, feel jettisoned by Trump's attacks on India.

Modi's Bharatiya Janata party lost its parliamentary majority in the last election, and the current spat reopens questions about his economic stewardship and diplomatic choices. His weakness in tackling China, accentuated as he is spurned by Trump, could become another vulnerability. It is Modi's lowest American moment since he was denied a visa in 2005 due to his role as Gujarat's chief minister during a wave of anti-Muslim violence in 2002.

At risk is three decades of India's economic ascent and its careful positioning as an emerging power, shaped in the shadow of US backing. Trump has shredded India's road map; it could be replaced by strategic drift, realignment or eventual rapprochement.

In 2020, Modi hosted Trump at a rally of 100,000 people in Ahmedabad. As they shook hands a final time, the Rolling Stones song filled the stadium: "You can't always get what you want". It turns out that, with Trump, Modi can't get what he wants — or what India needs.

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