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Trump's 25% Tariff on India and Penalty for Russian Oil Raises Concerns for Others

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President Donald Trump (javascript:void(0);) on Wednesday levied 25% tariffs (javascript:void(0)) on Indian goods, and threatened further penalties for its purchase of Russian oil, making the country the target of the highest levies outside of China, despite months of detailed negotiations.

Trump officials had floated a deal with India for weeks, and the Indian delegation had moved quickly after Trump made strides on negotiations—with the aim of a phased trade pact.

But on Wednesday Trump announced levies on India similar to those outlined on April 2—and above the 15% to 20% global baseline tariff Trump guided to this week as the Aug. one tariff deadline looms.

While talks between the U.S. and China this week set the stage for a tariff

deadline on China tariffs to be extended, (javascript:void(0))per Trump's approval, the president Wednesday said his Aug. 1 deadline for other countries was firm.

In his social media post, Trump described India as a friend but said: "They have the most strenuous and obnoxious nonmonetary Trade Barriers of any Country" and called out India's purchase of military equipment and oil from Russia, even as its attacks on Ukraine continue.

Eswar Prasad (javascript:void(0);), an economics professor at Cornell University (javascript:void(0);) and senior fellow at Brookings Institution (javascript:void(0);), calls the tariffs a "tough blow" for India and a cautionary note to U.S. trading partners that the administration will severely penalize countries that don't bend to Trump's will—even if they are friends.

Analysts have been expecting a phased deal, noting a long line of trade-related friction with India, which has been much more domestically-oriented than China. But the countries have been trying to strengthen their relationship as the rivalry with the China has heated up.

Nisha Biswal (javascript:void(0);), a senior advisor to geopolitical consultancy The Asia Group who previously held senior roles at the U.S. International Development Finance Corp, Chamber of Commerce on U.S.-India relations and the State Department, says the two sides had come to a phase one-type agreement—until Trump weighed in. India was not expecting to deal directly with the president, she says. The sticking points included a baseline tariff of 20% that India took as a nonstarter after the lower rates reached for Japan, the European Union (javascript:void(0);) and United Kingdom, she says. And the Indians weren't willing to go as far on agricultural and dairy commitments as Trump wanted, Biswal added. The Indian government didn't immediately respond to a request for comment.

With nearly half of the country's population surviving on subsistence agriculture and setbacks in India's attempts at modernizing agriculture, Richard Rossow, senior advisor and chair on India and Emerging Asia Economics for the Centers for Strategic and International Studies, says a deal is only feasible if the U.S. is willing to forego complete agriculture market access.

Trump's threat of penalizing India for its purchases of Russian oil and defense goods also reinforces the view these negotiations aren't limited to the trade line. It also raises questions about what it means for China, which is the other big buyer of Russian oil.

India may try to diversify energy purchases or look for legal loopholes to avoid the Russian-related penalties if they can find a way to keep domestic energy prices low, says Rossow.

Henrietta Treyz, head of economic policy research at Veda Partners, says prices would spike immediately if the penalties are explicitly tied to energy and oil—raising the prospect that the penalty is on other Indian exports—possibly of textiles—or stacked on the 25% Trump announced Wednesday.

Whereas China retaliated quickly to the April 2 tariffs and met Trump "force for force," India came to the negotiations as a friend and partner, Biswal says. But now it's unclear how India may respond.

Biswal sees Trump's move as a negotiating tactic, rather than a reassessment of the fundamental direction of the relationship between the two. A lot is on the line, especially as U.S. companies look to India to diversify production away from China, sell into a burgeoning middle class and draw from a pool of talent.

For major trading partners that have yet to reach a deal before the looming Aug. 1 deadline, Treyz says the India situation suggests the White House is willing to take a hardline stance, perhaps because it feels emboldened post-EU and Japan, raising the risks that Canada and Mexico could see their rates rise as of Aug. 1, Treyz says.

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