



Recalibrating Trade Relations: The U.S.–India Tariff Conflict in A Shifting Global Order

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Abstract- The bilateral trade relationship between the U.S. and India has grown exponentially over the last 30 years and has evolved into a small-scale cooperation into one of critical economic significance. Nonetheless, tariff disputes have sometimes been a burden to this alliance, and these disputes are indicative of more significant issues in the regulation of international trade. Due to the shifting international order with rising levels of protectionism, the emergence of geopolitical competition and the shifting multilateral trade standards, this paper will examine the genesis of the U.S.-India tariff war, its development, and its impact. It follows major tariffs and reactions implemented by the two sides, analyses the political and economic repercussions of each and puts the conflict in the context of more global trends in trade policy. The research paper justifies the argument that, when treated adeptly using multilateral constructs and solid bilateral processes, tariff wars can result in policy re-evaluation, institutional redesign and an increase in strategic dialogue, though they also pose challenges to bilateral collaboration and global trade stability.

Keywords- U.S. India trade, tariff, trade war, international system, protectionism, WTO.

I. Introduction

A Economic reform and strategic interests of India and the US have become a major motivating factor in a rapid growth in bilateral trade between the two countries since the early 1990s. Close economic relations are emphasized by the fact that two-way trade in goods and services had recently reached the peak of 146 billion, as per the Office of the United States Trade Representative (USTR, 2024) Nonetheless, trade controversies have taken centre stage as an issue of conflict that affects the economic decisions of both parties as well as the diplomatic negotiations.

This notwithstanding, there have been trade disputes between the United States and India. The issue of tariffs has become a common and high political point which has an influence on trade agreements, diplomatic representation and financial choices of both parties. These conflicts show deeper tensions ingrained in national political economy institutions and international trade governance, in addition to sector-specific differences. Tariffs have become instruments of voicing more broad-based issues of competitiveness, employment, and strategic independence as both countries seek to find a balance between a free economy and national interests. The tariff dispute between the United States and India brings to light conflicts between domestic policy agendas and ambitions for market access. The US exporters and officials have been concerned by the relatively high India tariffs on key imports, particularly agricultural and by some industrial goods. India, however, has been critical of American protectionist measures, especially the 2018 steel and aluminium tariffs under Section 232 of the Trade Expansion Act, which was perceived by New Delhi as excessively severe and supply-



chain burdensome. Such tariff concerns must be looked at in a bigger picture on the global scale besides their immediate economic consequences. The strain on the global trade system has been caused by growing protectionism, decreased multilateral enforcement systems, and increased geopolitical competition. Based on this, the tariff controversy between the United States and India can be used as an illustration of the interplay between structural shifts in the global economic governance and bilateral trade wars.

This paper discusses the history of the tariff controversy, the political and economic arguments that justify the use of tariffs and the impact on bilateral trade and international relations. It places the conflict in the context of a larger global order that is becoming more and more characterized by geopolitical strategic rivalry, protectionist attitudes, and reoriented multilateralism.

II. Historical Context and the Emergence of the U.S.–India Tariff Conflict

Economic Liberalization and Trade Expansion

India turned its back on import substitution and started to engage in more international markets with the implementation of its economic reforms in 1991 (Panagariya, 2008). Increased commerce with the US and other countries was made possible by this change. All these reforms, which incorporated deregulation of industrial license, rationalization of tariffs and progressive opening to international investment, helped India to integrate better with the rest of the world economically. Bi-lateral trade between the US and India in this way expanded rapidly in the next few decades, as a result of divergent geopolitical interests as well as a balancing economic design. India turned into an even more important market of American goods and services, and the USA became a primary export location in India. As the Indian exports to the United States evolved to cater to the needs in textiles, clothing, medicines, and information technology services, the U.S. exports to India increased in numerous sectors, such as equipment, aviation, agricultural products, and chemicals. This diversification reinforced the strategic significance of bilateral trade and resulted in an increased level of interdependence in the economy. However, the lack of uniform pace and pattern in the liberalization was still affected by internal politics and development agendas.

Tariff policy continued to be a contentious issue in spite of this expansion. Unlike in other emerging market economies, India kept tariffs imposed extremely high, particularly in those sectors where local producers were interested in protection (Brown & Irwin, 2018). American exporters in turn demanded reduced tariffs and increased market opportunities. Protectionism emerging across the world and the persistence of tariff protection in India is indicative of bigger political economic impediments to trade liberalization. Both developed and developing countries have experienced more populist pressures, and trade policy decisions are shaped by these populist forces as globalization has brought about unequal domestic gains (Rodrik, 2018) (Srinivasan, 2001)



Key Disputes and Tariff Measures

The United States' use of tariffs under Section 301 of the Trade Act of 1974 in reaction to India's intellectual property laws, especially in the pharmaceutical industry, was one early source of contention. India challenged U.S. actions at the World Trade Organization (WTO), and both negotiated a trying negotiation over market access and patent rights. In more recent times, in 2018, the United States unilaterally imposed Section 232 tariffs on imported steel and aluminium, claiming matters of national security. New Delhi imposed retaliatory duties on U.S. imports, such as apples, almonds, and other agricultural items, since India was one of the targeted nations (USTR, 2018). These financial actions and retaliation were some form of geopolitical posturing in an international arena where traditional trade norms appeared to be under compromise as well as being economic protectionist. With each party trying to advance its stance within the WTO and evaluate bilateral agreements to defuse tensions, the conflicts often overflowed into multilateral arenas.

III. Research Methodology

This paper discusses the U.S.-India tariff dispute within the prism of changing global trade environment through a qualitative research methodology that relies on descriptive and analytical approaches. The qualitative design is the most appropriate since the objective of the study is to comprehend institutional, political and structural processes as opposed to testing a single causal hypothesis. The methodology has the significant accent on the interpretation of the institutional organizations, economic outcomes, and the activities of the governments.

Data Sources

The analysis in this study is primarily based on secondary sources. Primary sources include official trade policy documents, government reports, and statements issued by international organizations such as the World Trade Organization and the Office of the United States Trade Representative. These sources are considered highly reliable, as they provide authoritative information on tariff policies, trade disputes, legal proceedings, and stated policy justifications. Secondary sources comprise peer-reviewed journal articles and policy research conducted by reputable institutions. By integrating both primary and secondary sources, the study ensures a comprehensive and analytically grounded understanding of contemporary trade policy dynamics.

Analytical Framework

Through a thematic approach of analysis, the study discovers some common themes in trade conflicts, including the role of institutional restraints, strategic factors, and internal political economy. The study exposes patterns and changes in the policy behaviour in trade by comparing actions and responses of tariffs over time. The study also takes into consideration some elements of comparative analysis by juxtaposing the tariff dispute between the United States and India with global tendencies of protectionist tendencies in trade. This approach allows identifying whether bilateral conflicts are due to particular national characteristics or more systemic shifts.



IV. Theoretical Framework: Trade Conflict in a Shifting Global Order

Realist and Liberal Perspectives

Several perspectives are given by international trade theory to comprehend the tariff dispute. To realists, trade policy is a continuation of strategic interest and strength of a nation. With the United States and India in talks about China gaining strength, technical competitiveness, and regional power in Asia, the tariff issues between the two countries can be regarded as a part of the bigger geopolitical game (Ikenberry, 2018). The symbolic functions of tariffs are not limited to the functions of the economic character (demonstrating will, responding to unfair behaviour, etc.).

Liberal views, however, emphasize more on the role of international organizations, comparative advantage and joint actions that are mutually beneficial. This view holds that tariff conflict undermines efficiency and the well-being of the globe, yet it can be prevented, especially under the WTO approach, through bargaining, transparency, and adherence to regulations. (Bagwell & Staiger, 2002) Both the perspectives are pertinent. Although it is impossible to separate the U.S.-India tariff dispute from larger geopolitical factors, institutional procedures and financial incentives are important in determining the course of events.

Economic Impacts of Tariffs

On Bilateral Trade Flows

Tariffs affect relative prices and competitiveness, which skews trade flows. The United States tariffs on Indian metals such as aluminium and steel have increased the prices of American importers and downstream companies that are reliant on Indian commodities. Conversely, U.S. apple, almond, and other products exporters had to pay higher prices due to the retaliatory tariffs used by India and this reduced the level of exports (Amiti, Redding, Weinstein, & Weinstein, 2019). The amount differs across industries and elasticity of demand; however, the research shows that the introduction of tariffs usually leads to reduced trade volumes between the rival sides (WTO, 2020). The bilateral tariff dispute forced businesses to change their supply chains, seek alternative markets or absorb costs; both had an effect on investment decisions and business profitability.

On Domestic Industries and Consumers

By protecting domestic producers from outside competition, tariffs might offer them short-term respite. India had raised tariffs to regulate the imbalance in trade in sensitive regions and to protect the nascent industries. Protectionism can also have the negative impacts of an increase in the cost of inputs, a decrease in the incentive to compete and an increase in consumer prices. The tariffs of steel and aluminium in the US were justified because they were protecting indigenous industries of the economy that appeared to be critical to national security. Nonetheless, the evidence shows that these policies also made American manufacturers who rely on imported goods spend more, which would offset job growth in sheltered sectors (Fajgelbaum, Goldberg, Kennedy, & Khandelwal, 2020).



Political Drivers of Tariff Policy

- **Domestic Political Economy**

Tariff policy in the US is affected by national security-related strategic issues, political discourse on job creation, as well as industrial sector lobbying. In 2018, Trump administration raised tariffs, at least in part, in response to long-standing concerns of industry associations and steelworkers with global competition. The tariff policy of India is a compromise between the economic and industrial protection. Policymakers are often concerned with protecting the baby industry, agricultural interests, and tariff revenue collection. Due to the political system of India which is federal and the value that agriculture has on the economy of the nation tariff policy is a trade off on the interests of producers and consumers.

Geopolitical Strategy

Geopolitics have been increasingly influencing trade policy besides domestic politics. India and the United States view each other as crucial partners to the counter of the Chinese dominance in the region. Regional security, technological, and defence cooperation have increased despite tariff wars. In this way, the presence of tariff wars and the increased scale of alliance-building complicates individual economic decisions. Tariff disputes may also be lessened by geopolitical factors. As an example, the two countries are signatories to sector-based agreements or explored strategic tariff exemptions that reflect common interests in infrastructure, supply chain resilience, and technology transfer.

Role of Multilateral Institutions

- **World Trade Organization (WTO)**

WTO provides a platform under which trade disputes especially those that relate to tariffs are solved under a set of regulations. The United States and India have criticized each other over WTO procedures regarding their policies. WTO dispute resolution panels consider compliance with laid down guidelines, but the more general institutional problems have challenged their effectiveness.

WTO Appellate Body has suffered stagnation in its operations, a factor that has made it difficult to enforce and slow settlement process. This institutional weakening threatens the future of multilateral trade governance and is also reflected in the manner in which countries deal with tariff disputes.

- **Bilateral Engagements and Negotiations**

The bilateral dialogues such as the U.S.-India Trade Policy Forum also offer platforms on which to address tariff issues when they are not in WTO. By these contacts the two sides can air their grievances, seek means of arriving at compromises, and make tariff policy conform to more general cooperation. An intellectual property, digital commerce, and agricultural tariffs, to name a few, reveal attempts to find a compromise between national objectives and access to the market.

Nonetheless, power disparities and conflicting interests are often manifested in negotiations, which require continuous political goodwill and trust to each other to achieve meaningful outcomes.



V. Strategic Sectors and the Tariff Conflict

Agriculture and Food Products

Agriculture has been one of the most sensitive sectors in the tariff fight between the United States and India. The agricultural import tariffs in India capture concerns of food security, rural employment and livelihoods of farmers, which are at times over 30-40 percent on certain commodities. The US has challenged these tariffs many times to be too protectionist particularly on products such as dairy, poultry, apples, almonds and pulses. After the U.S. steel and aluminium quotas, India made counter tariffs, which were directed against agricultural goods of politically influential U.S. states, including apples of Washington and almonds of California. This strategy is reminiscent of a classical political economics method of retaliation, whereby the object of counter actions is to impose political pressure back at home in the country that took the action (Bown, 2020). To agricultural exporters in the US, the lack of access to the huge and growing consumer base in India is an opportunity cost. The political feasibility of the swift liberalization of tariffs is however limited by the domestic problems of India which are small parcels of land, unstable income and food inflation risks. This asymmetry underlines the reasons why there was a tariff dispute and complicates the discussions.

Manufacturing, Steel and Industrial Goods

Tariffs on steel and aluminium continue to be at the heart of the conflict. On the grounds of national security, the United States defended its Section 232 tariffs by claiming that reliance on imports weakened domestic manufacturing capability. India objected to this reason saying that its shipments were not under WTO rules and were not a true threat to security.

The steel exports are significant to India as they are not only commercially but also symbolically as they demonstrate the export competitiveness and the self-sufficiency of the industry. U.S. tariffs reduced Indian steel exports, and facilitated market diversification and might have enhanced competition in other areas. Indian companies were pressurized to get more productive and seek new trade agreements back home. India has also been affected by tariffs in its manufacturing sector in its Make in India campaign that encourages local manufacturing and industrialization.

Digital Trade, Services, and Emerging Frictions

Though tariffs have traditionally been used in respect of products, services and digital trade are increasingly significant in the economic association between the U.S. and India. As the U.S. companies dominate digital platforms, cloud services and valuable intellectual property, India is a major exporter of business process services and information technology. The emerging field of trade conflict is related to cross-border data flows, online services tariffs, and data localisation. Despite not being tariff-based in the conventional sense, these policies act as trade barriers and have an impact on discussions about tolerance and market access. Although India has stated that data sovereignty and consumer safety would be the reason to take such actions, the United States has already expressed concerns that Indian digital regulations limit global businesses inappropriately. These disputes complicate the tariff discussions by removing the customs taxes as the subject of trade disputes and including regulatory



governance as the subject of these disputes. Insolvent regulatory frictions may have repercussions that are on par with or worse than conventional tariff conflicts in a changing global order where digital trade is becoming more and more important.

The U.S.–India Tariff Conflict in The Broader Global Context Increasing Protectionism and Diversion of Trade

Trade confrontation between United States and India is a response to the global tendency of protectionism that occurred after 2008. Doubt regarding free trade and globalization has been heightened by the worldwide financial crisis and populist campaigns that followed. Using domestic job conservation, national interest, and security as the reasons, countries have increasingly resorted to non-tariff barricades and tariffs. The other problem that has emerged is the diversion in trade whereby when tariffs are changed they cause the trade to be directed to the partners who are less efficient but whose partners enjoy tariffs. In order to save tariff expenses, businesses may redirect supply chains, which might have an impact on worldwide manufacturing networks.

Geo-economic Competition and Strategic Decoupling

Trade policy and geo-economic competitiveness are increasingly becoming interwoven. Allies such as India have to have hard choices on access to the market, technological cooperation, and tariff policies because the US and China are at a strategic war. India has strategic freedom and relations with other partners in the region and at the same time diversifies and relates more with Western economies. Consequently, the tariff case between the United States and India is a measure of bilateral trade as well as the greater realignment of the international supply chains and trade associations.

VI. Policy Implications and Pathways Forward

Strengthening Multilateral Engagement

The reliability of trade relations lies in the fact that the negotiating and dispute settlement procedures should be restored to the WTO. Good multilateral rules restricting unilateral tariff measures and providing mechanisms to settle fairly are beneficial to the US and India. Besides offering platforms on positive interaction beyond bilateral tariff wrangles, reforming the WTO to accommodate the contemporary trade challenges such as digital trade, state owned companies' behavior, and trade policies as relates to climate change would be advantageous.

Targeted Bilateral Adjustments

Alternative to lengthy retaliation through tariff Reform-oriented dialogue within the multilateral organizations offers a feasible alternative to protracted tariff retaliation. This approach underpins the argument of (Evenett & Fritz, 2019) that effective trade governance is founded not on economic conflict (war war) but on negotiation (jaw jaw). Bilateral modifications that may help lessen conflict and retain more cooperation include sector-specific agreements and negotiated tariff exclusions. As an example, collaboration in some key issues such as safe supply chains and protection of investment could be coupled with technology or agricultural tariff cuts.



Domestic Structural Reforms

To solve the root causes of the tariff war, both countries could strive to make internal adjustments. Further liberalization and transparency in regulations can reduce the need of high protective tariffs and enhance the competitiveness in India. Innovation and labor transfers policies in the US can reduce pressure on protectionist tariffs.

VII. Conclusion

The tariff issue between India and the United States is not a unique trade conflict, but it is an indicator of greater structural and strategic transformations in the global political economy. Economic nationalism, geopolitical competition, and institutional turmoil have re-emerged as instruments of dialogue and defense as the world of global commerce is transformed. Tariff measures have not undermined the broader strategic partnership between the United States and India, although it has posed economic burdens and alarm. Instead, the controversy highlights the co-existence of cooperation and contest in contemporary business relationships. Beyond occasional tariff battles and transitioning to structural involvement integrating supply chain partnerships, electronic commerce, goods, and services is required to have a sustainable realignment of the U.S.-India trade relationship. Pursuing specific bilateral deals, strengthening multilateral institutions, and aligning internal reforms and international competitiveness will be of significant importance. It might be the capacity to handle tariff conflicts as opposed to eliminating them altogether that will dictate the resilience of strategic trade partnerships in a shifting world order. The experience of the United States and India is an important case study in terms of the striking a balance between the national interests and the international economic dependence.

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