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Ripple Effects of the Trump Tariff War: Implications for South Asia in the Context of Geopolitical and Geoeconomic Dynamics

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Abstract: This paper explores the multifaceted effects of Donald Trump administration's imposition of tariff policies on India through the lenses of geoeconomics and geopolitics, specifically within the South Asian context. Employing mercantilism and realism theories and utilising qualitative research methods, this paper argues and analyses that the Trump administration has adopted a transactional approach to its bilateral trade relations, notably with India. This study finds that the tariff policy toward India might have profound consequences, extending beyond bilateral trade between New Delhi and Washington, influencing the broader geopolitical and geoeconomic landscapes in the Indo-Pacific region, particularly in South Asia. Small states in South Asia may face increased complexity due to their heavy engagements with both India and the United States, especially in the absence of negotiations between the two larger economies.

Keywords: India; geopolitics; geoeconomics; South Asia; small states; tariff war; United States.

JEL Classification: F14; F51; F52.

Introduction

President Donald Trump's administration-imposed tariff policies on several countries - most notably China, Canada, Mexico, and India - primarily driven by a belief that the United States (US) is being economically exploited through unfair trade practices and growing trade deficits. Washington's approach is highly transactional, rooted in a blend of economic nationalism (mercantilism) and geopolitical realism. The US views trade deficits as a sign of its economic weakness and a direct depletion of national wealth, thus imposing high tariffs as an asserted tool to rebalance these scales. Notably, countries targeted with high tariffs typically held the largest trade surpluses with the US and often maintained opposite stances on global geopolitical affairs, such as China and India (Tiwari, 2025).

While India, a crucial Indo-Pacific ally (Milner, 2025), is not the primary target, like China (Tiwari, 2025), the US's transactional approach and the revocation of India's Generalised System of Preferences (GSP) facilities indicate that national economic interest becomes Washington's top priority over broader strategic partnership. Trump's administration expects India, as a rising economic power and potential competitor, to address perceived

trade imbalance to reduce the US's trade deficits and external debt, further viewing India's engagement with blocs like BRICS as a challenge to America's global dominance, especially within South Asia.

Given India's significant leverage in the region, the US tariff policy carries broad geoeconomic and geopolitical implications for South Asia. As regional and global political dynamics shift, this tariff policy and transactional approach towards rising economies like India have wider ramifications for the entire region. By employing mercantilism and realism theories through qualitative thematic and case study analysis techniques, this study explores how this US tariff policy affects bilateral US-India relations and its broader consequences for South Asia in the near future.

1. Theoretical Framework

President Trump administration's tariff policies toward certain countries can be analysed using several International Relations and International Political Economy theories. Considering both geopolitical and economic perspectives, mercantilism and realism theories offer robust frameworks for analysing the US tariff policies and strategies in the context of South Asia, particularly regarding India.

1.1. Mercantilism

Mercantilists view wealth as power, arguing that states' economic strength directly translates to national power and security. Consequently, a state's primary focus should be on maximising exports while minimising imports to accumulate wealth. Trade is perceived as a zero-sum game, where one nation's gain necessarily implies another's loss. From this perspective, exports are beneficial, while imports are detrimental, making state intervention essential to achieve trade surpluses through measures such as promoting exports and restricting imports via tariffs, subsidies, and non-tariff barriers.

The theory of mercantilism aligns perfectly with Trump's emphasis on reducing trade deficits and his stated goal of "winning" on trade. His rhetoric consistently claims that the US trade deficit signified other countries "taking advantage" of the United States, thereby echoing the zero-sum nature of trade. Trump's "America First" policy overtly prioritised domestic production and protectionism, a dominant view among mercantilists. Furthermore, mercantilism posits that states can leverage trade as a tool for national advantage. In this instance, tariffs are employed to pressure other countries into opening their markets and reduce trade imbalances. Active intervention in the economy through tariffs, subsidies for domestic businesses, and direct trade negotiations with larger economies are central tenets of mercantilism, with the Trump administration evidently incorporating into its policy strategies and decisions.

Mercantilism in the Analysis of Trump's Tariffs toward India

President Trump's administration's trade policy toward India is a clear manifestation of mercantilist thinking. Trump consistently framed America's economic interactions with other states, including India, as a competition where the United States is losing due to trade deficits. The President repeatedly criticises the persistent trade deficit with India which he considers unacceptable. He views this deficit as an advantage for India with the cost of the US, a classic mercantilist interpretation. The revoking of India's GSP status has been a key goal of the US to reduce trade imbalance by making Indian products more expensive for its citizens and encouraged to purchase more domestic or alternative foreign products.

Additionally, President Trump often cites high Indian tariffs on some specific American made products – such as 50% tariff on Harley-Davidson motorcycles, and high tariffs on medical devices – as unfair and detrimental to the US companies. He believes these tariffs are barriers for America's firms and industries to become an effective competitor in the Indian market. The GSP withdrawal is a retaliatory measure to pressure New Delhi to lower its tariffs on American products and open its market more. This policy aligns with mercantilist goals of protecting domestic industries and ensuring market access for domestic exporters.

Furthermore, the Trump administration often links trade concessions to broader diplomatic or strategic cooperation, making economic relations conditional. His "America First" agenda means that even allies like India are expected to make economic concessions to satisfy US demands. The US gives a signal to India that GSP privileges are not unconditional and had to be earned through trade behaviour favourable to the United States, reflecting a transactional approach.

1.2. Realism

In an anarchic international system, states are the principal actors, driven by self-interest, primarily power and security. International Relations are often viewed as a zero-sum game, where a state's gain is considered as

another state's loss. Consequently, economic tools such as trade, tariffs, and sanctions are utilised to achieve geopolitical purposes.

Realists would argue that the US actions under the Trump administration represent a pursuit of relative economic gains and a challenge to the existing distribution of trade and power. Trump believes that trade deficits weaken America's economic hegemony and national security, viewing them as a transfer of wealth and power to other nations. Consequently, tariffs could serve as a significant tool to "win" on trade and bring jobs back to the United States. Furthermore, protecting domestic industries and businesses is considered crucial for safeguarding national security and the economy.

Realists also argue that the rise of other powers pose a major threat to existing powers. Trump perceives the rise of other powers, particularly China, as a threat to US hegemony and seeks to contain its influence through economic means. While countries like India are not considered a primary threat to America, the argument suggests that enabling other competitors or blocs through various means and allowing trade imbalances would weaken the US in the geopolitical consideration across various regions.

Realism in the Analysis of Trump's Tariff Policy toward India

While India is often considered a strategic partner to the United States, particularly in the Indo-Pacific, the Trump administration's tariffs represent a realist perspective wherein even allies are not immune to power politics when national interests are considered in a vulnerable situation. Washington believes that a robust domestic economy is fundamental to national power projection. It is considered that foreign trade imbalances are undermining the US economic base, viewing India, as a rising economic power, as a potentially strong competitor in the near future. Therefore, India's imbalance trade practices with the US need to be resolved to maintain America's economic dominance and geopolitical superiority.

Additionally, the Trump administration has adopted a highly transactional approach even with strategic partners, particularly as US trade deficits and debt drastically increases. The United States has treated trade relations as a separate ledger where its economic losses needed to be rectified, regardless of broader strategic alignment. Furthermore, India's engagements with blocs perceived as opposing US interests, such as BRICS, and its trade relations with Russia are viewed by the Trump administration as detrimental to the United States geopolitical interests. As a result, imposing high tariffs are intended to pressure India not to act against the US interests.

2. Methodology

This study has employed a mixed-methods approach, utilising both qualitative and quantitative data, with a pronounced focus on qualitative analysis, to analyse President Trump's proposed tariff policies and their effects on engagements with certain countries, with a particular emphasis on India and the broader South Asian region.

The Study has drawn upon both primary and secondary sources to explore the US transactional tariff policy toward India and its geopolitical and economic impacts on the region. Primarily, an in-depth review of existing scholarly and non-scholarly literature on tariffs, particularly analyses of US tariff policy, has been conducted. Secondary data has predominantly been gathered from non-academic articles, reputable websites, and media coverage. Primary data include official documents and statements from relevant countries, particularly ministries of state, foreign affairs, and finance departments, as well as remarks from influential public figures, including president, prime minister, foreign and finance ministers. For the quantitative component, this study utilises and analyses trade statistics between India and the United States before and after the imposition of tariffs, as well as trade statistics between the US and smaller South Asian states.

Focusing on India as a primary case study, this study analyses and assesses the effects of the United States' tariff policy and its transactional approach toward India, including revoking of India's GSP facilities. Additionally, it explores the broader implications this tariff policy on India might have for South Asia. By concentrating on two key themes – geoeconomics and geopolitics – this study investigates how this tariff policy toward India extends beyond mere trade relations to exert profound effects on the evolving geopolitical landscape.

To analyse the collected data, this research specifically employs thematic analysis and process tracing techniques. While thematic analysis assists in identifying key themes and patterns related to the US tariff policy and its impacts on India, the process tracing technique examines the causal mechanisms through which this US transactional approach influences regional political and economic dynamics. Following the analysis of India as a distinct case, a cross-case comparison has been conducted to assess the potential effects on South Asian smaller nations, as well as the broader geopolitical and geoeconomic landscapes of the region.

3. Case Study: India - US

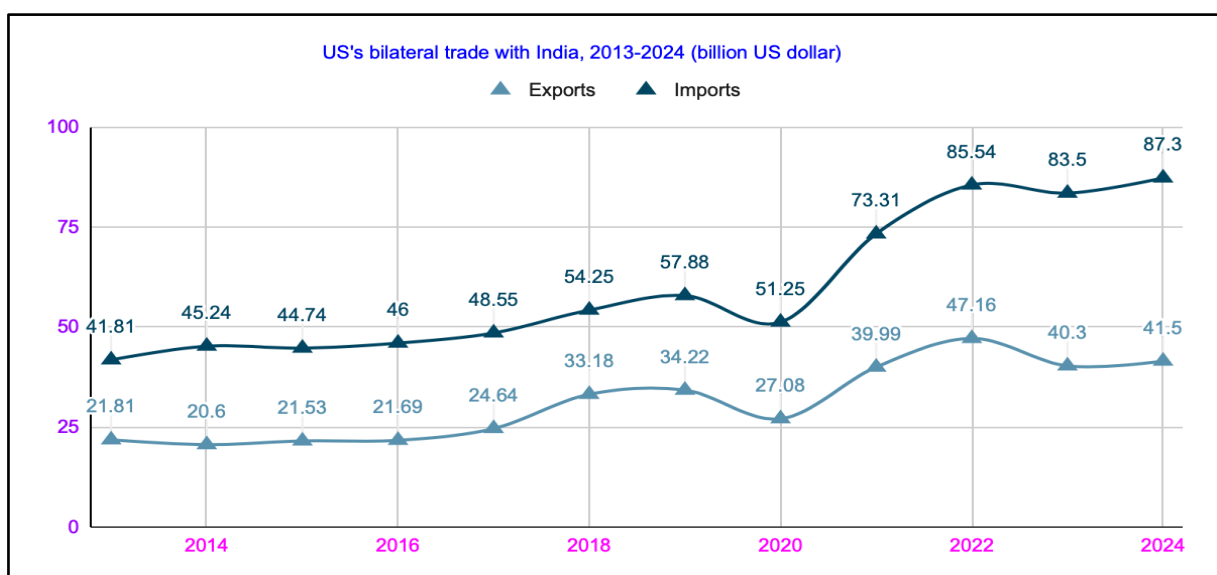
President Trump administration's imposition of large tariffs is a calculated strategy driven by the belief that the United States is being treated unfairly. This study has found that the US's tariffs have been designed to achieve three main goals: reduce the trade deficit, punish unfair trade practices, and gain geopolitical leverage. The key objectives have been to regain economic hegemony and superiority, weaken the opposition blocs and demotivate and pressurise nations to avoid joining these blocs, and negotiations with both rivals and allies.

3.1. India's Bilateral Trade Relations with the United States

The economic relations between the United States and India have experienced significant and consistent progress, particularly in trade, with a focus on bilateral exchanges and the integration of both economies into global supply chains. The world's largest economy has established itself as one of India's principal strategic commercial partners, accounting for over 15% of India's total trade. Bilateral trade volumes approximated USD150 billion per year, encompassing several sectors, including information technology, pharmaceuticals, machinery, and agricultural products (Athukorala, 2020; Tiwari, 2025). Additionally, India has emerged as a leading global exporter of IT services, software, and business process outsourcing services. US demand for these Indian services has provided significant advantages for Indian enterprises, increasingly integrating them into global supply chains primarily focused on the US economy (Gupta *et al.* 2018). The South Asian giant has been a prominent provider of generic pharmaceuticals to the US, offering vital assistance to the American healthcare system and highlighting the interdependence between the two countries (Iqbal *et al.* 2023). Moreover, India's burgeoning consumer market has attracted numerous US enterprises, particularly in the retail, fast food, and automotive industries, thereby strengthening trade connections (Tiwari, 2025).

The strategic partnership between two major powers has evolved significantly from the limited interactions of the Cold War era to a strong alliance in the present day (Milner, 2025; Liu & Jamali, 2021). This evolution has been shaped by the convergence of interests in economy, politics, and the containment of China's assertive policies in the Indo-Pacific region (Hasan, 2024; Yadav, 2021; Liu, 2020). Both powers saw their alignment as advantageous for bilateral trade relations and crucial for upholding a rules-based order in the Indo-Pacific, considering India's strategic position and increasing importance (Shah & Karki, 2024; Damayanti & Aurelia, 2022). The recognition of India as a Major Defense Partner in 2016 was a significant milestone in United States-India defense relations (Islam *et al.* 2016; Nguyen *et al.* 2024). This designation provided India with improved access to advanced US military technologies, enabling closer military collaboration and work against counterterrorism (Shah & Karki, 2024; Damayanti & Aurelia, 2022). Furthermore, recognising India's economic potential, including its large consumer market, the US began to strengthen its ties with India in various regional and extra-regional spheres (Grebekina, 2025).

Figure 1. The United States' exports to and imports (goods) from India, 2013-2024 (billion US dollar).



Sources: International Monetary Fund (IMF) and US Trade Representative.

The trade relationship between the United States and India has dramatically altered over recent decades, characterized by rising bilateral trade levels. Figure 1 represents how bilateral trade relations between the two larger economies have grown since 2013. India has been one of the largest suppliers of various products to the United States. However, the growing trade deficit indicates India's significant access to US consumer markets. Moreover, the trade in services between the two countries has experienced substantial growth, resulting in a total products and services trade of USD 212.3 billion by 2024 (U.S. Trade Representative, 2024). The goods trade primarily benefited Indian exporters, while sectors such as information technology and corporate outsourcing have enhanced India's trade surplus with the United States. This dynamic illustrates the complementary aspect of the economic relationship, supported by India's increasing inclusion into global supply chains and its becoming the fastest emerging economy in the world.

Notwithstanding the expansion of bilateral trade, some difficult situations have endured between the two larger economies. As a rising economy and engaging with the opposite bloc of the US like BRICS, India has attempted to influence global trade dynamics and supply chains (He & Li, 2020). Additionally, India's imposition of high taxes on US goods, especially agricultural commodities and advanced machinery, has traditionally been a subject of contention (Athukorala, 2020; Amiti *et al.* 2019). The United States has consistently expressed apprehensions regarding India's restrictive market access, non-tariff obstacles, and the enforcement of intellectual property rights, leading to trade imbalances and challenges for US corporations attempting to penetrate the Indian market (Tiwari, 2025). The tariffs on medical devices in India were higher than those in numerous other nations, serving as an impediment to US companies (Tiwari, 2025). Moreover, challenges for US agricultural products such as poultry, dairy, and certain fruits and vegetables complicate trade relations with India. The United States has pushed for improved market access, but India's stringent rules and food safety standards often hinder this effort. US stakeholders also highlight India's protectionist policies in the automotive and information technology sectors, which strain the bilateral relationship and underscore persistent challenges despite otherwise favorable trade (Athukorala, 2020).

Furthermore, the tariff disputes between the United States and India have been a major issue for the past several years, which is also interconnected with their strategic engagement with major economies and blocs (Negoro *et al.* 2020; Devarajan *et al.* 2020; Goswami *et al.* 2023). The removal of India's GSP status that ended tariff-free access for many Indian products (Amity *et al.* 2019; Agrahari & Alam, 2024; Jain, 2021) was a major concern for the Indian economy (Kumar, 2020). This move responded to India's higher tariffs on US exports, including motorcycles and medical devices, which were seen as obstacles to market access (Babu, 2020; Chacko, 2021).

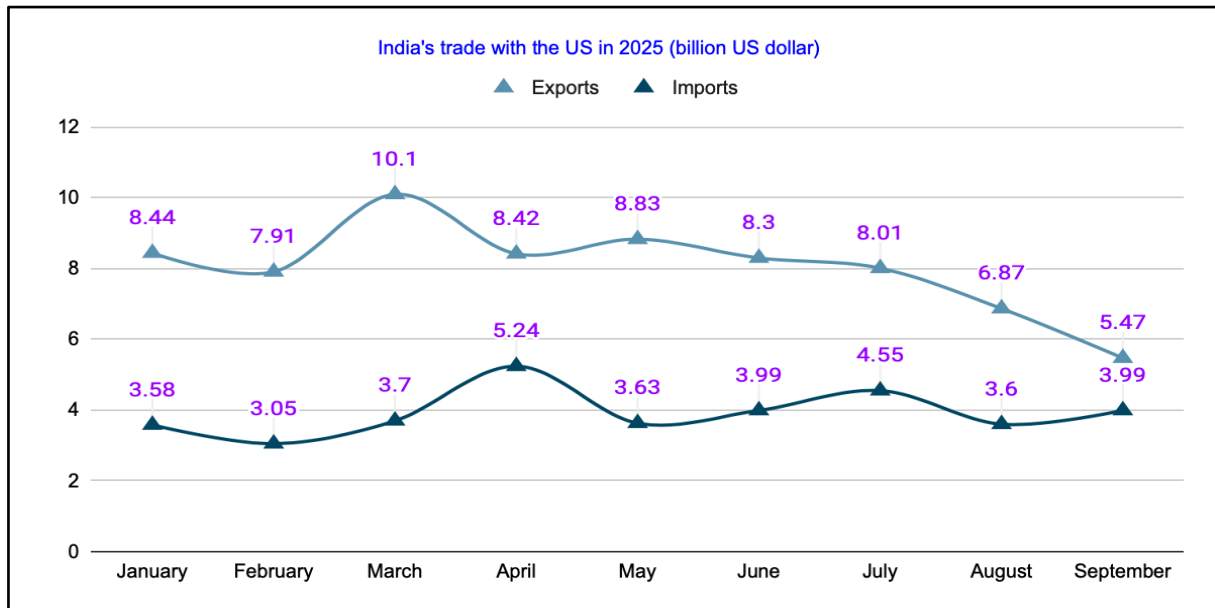
3.2. US-India Relations after the Tariff Escalation

The imposition of high tariffs by the United States on various Indian products has heavily affected the bilateral trade relations between the two larger economies. The tariffs were largely implemented to mitigate the US trade deficit and counter perceived inequitable trade practices by nations with significant trade surpluses, such as China, Canada, Mexico, and India. The Trump administration characterized these tariffs as crucial for restoring economic power in a competitive global landscape, portraying such actions within a narrative of economic exploitation by states perceived as engaging in unfair trade practices, particularly China and others (Cheng *et al.* 2021).

While India was not the primary target of the US like China, the contemporary environment indicates a more complex relationship between New Delhi and Washington. The effectiveness of tariffs on certain Indian products and the alternative measures taken by India instead of mutual negotiations have led to a significant decline in many other Indian sectors and products. This began to commence after the gradual increase of tariffs - 10% on April 2, 25% on August 7, and finally 50% at the end of August with allegations from President Trump that India had been helping Russia's war efforts in Ukraine - on Indian certain goods (The Times of India, 2025). Consequently, India's exports to the United States have sharply dropped in the last five months. The impact of tariffs has touched many other sectors in India, while tariff free products, such as smartphones, medicines, and petroleum, have also shown a significant decline, 25.8 percent from May 2025 to October 2025 (The Times of India, 2025).

Figure 2 demonstrates the dramatic decline of India's exports to the United States as an effect of the imposition of high tariffs. The figure also shows that India's exports to the US have doubled compared to its imports. However, the gap between exports and imports, despite being similar in the first five months of 2025, dramatically decreased in the last three months and finally became almost equal in October 2025. While (see Figure 1) the bilateral trade between the two larger economies reached its peak in the last five years, the imposition of tariffs has significantly halted the degree of trade, though trade deficits were evident. The increase in trade deficits has been a growing concern to the Trump administration due to the gradual increase of the US's foreign debts.

Figure 2. India's bilateral trade with the United States in 2025 (billion US dollar)



Source: The Observatory Economic Complexity (OEC). <https://oec.world/en/profile/bilateral-country/usa/partner/ind>

Interestingly, the impact of US's high tariffs on certain Indian goods has affected all exported goods to the US market. Table 1 represents that all Indian products have experienced a sharp decline from May to October. While the goods most affected by the highest (50%) tariffs, such as gems and jewelry products, solar panels, textile and garments products, chemicals and marine products, faced a 31.2% decline in October 2025, the tariff free goods - smartphone, medicine, and petroleum - showed a 25.8% decline. The rest of the Indian exported goods, facing similar tariffs as other countries, also showed an almost similar decline, amounting to 23.8%. This means Indian goods have lost substantial value in the United States's markets due to the imposition of high tariffs on certain products.

Table 1. India's highest affected sectors and products (exports), May 2025 to October 2025 (in percent)

Category	Decline (%)
Tariff free goods: smartphone, medicine, and petroleum	25.8
Goods facing the same tariff as other countries: iron, steel, aluminium, copper, and auto parts	23.8
Labour intensive goods facing 50% tariff: gems, jewellery, solar panels, textile, garments, chemicals, and marine products	31.2

Source: Global Trade Research Initiative (GTRI). [global trade research initiative \(gtri\) report](#)

Tariffs have been a comprehensive approach aimed at addressing perceived economic disparities, which also encompass non-tariff barriers and protective measures from both nations (Tiwari, 2025; Choi *et al.* 2024). Research reveals that the implementation of these tariffs significantly modified India's export strategies, particularly in textiles and jewelry, while certain sectors, such as pharmaceuticals, exhibited resilience (Tiwari, 2025). This viewpoint posits that tariffs served not only as financial mechanisms but also as vehicles of extensive economic diplomacy intended to reestablish US strength and influence on a worldwide scale (Kholid, 2022; Egger & Zhu, 2020; Choi *et al.* 2024; Attanayake & Wakkumbura, 2023). The United States' protectionist measures, indeed, significantly disrupted India's domestic economic landscape, raising operational costs for Indian exporters and influencing global prices. These increased costs for intermediate goods hurt overall economic welfare in both countries. They have increased costs in the US market and reduced India's export competitiveness.

In response, India adopted anti-dumping actions and alternative trade policies, underscoring a strategically adaptive trade policy amid intensifying protectionism and nationalism. Dadhania *et al.* (2025) found that US tariffs negatively affected key sectors in India, like agriculture and engineering goods, textiles, and pharmaceuticals. Higher costs made these products less competitive than those from countries not facing such tariffs (Dadhania *et al.* 2025). The Indian government seeks to shield domestic industries from the effects of US tariffs by fostering trade links with alternative partners, thereby mitigating the adverse economic consequences. Indian exporters are seeking new markets in Europe, Southeast Asia, Africa, and the Middle East.

Although the Trump administration did not directly impose tariffs on other South Asian nations in the same manner as India, its policies toward India created a new environment in South Asia. The India-US relationship is indirectly interconnected with other South Asian countries. This relationship is characterized by growing economic connections and collaborative defense efforts, making it a pivotal actor in US and South Asia policy (Tiwari, 2025).

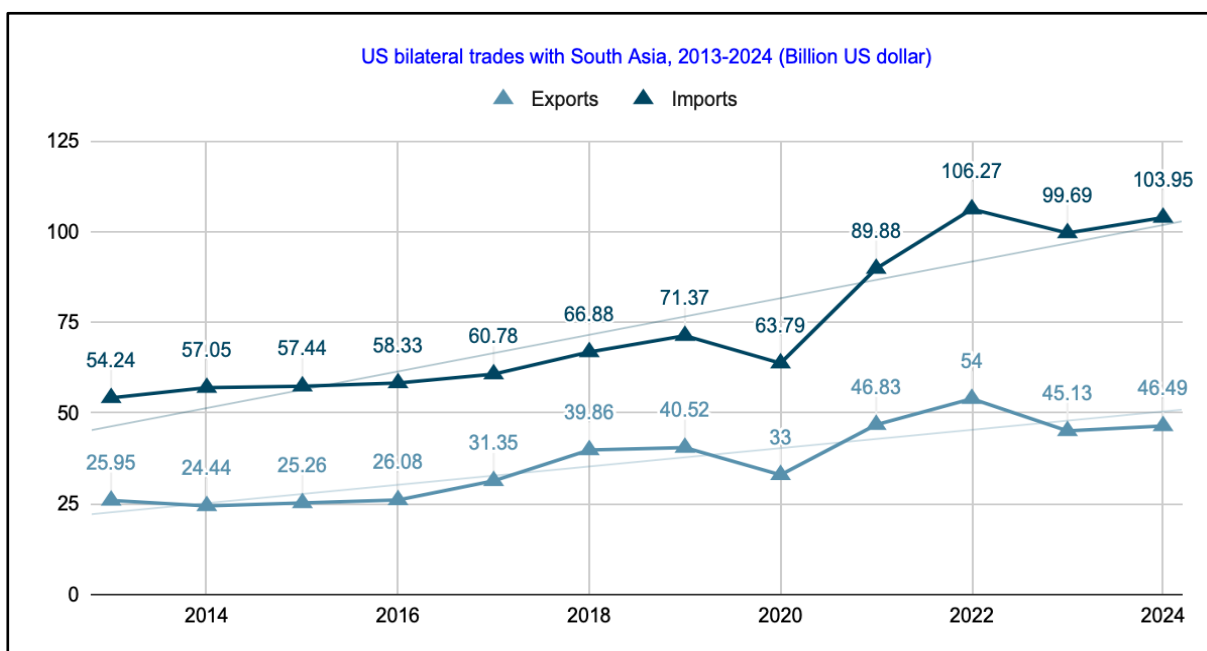
4. Impacts on South Asian Smaller Economies

The United States maintains robust bilateral trade relations with most South Asian smaller nations, though the dynamics and volumes significantly rely on various issues, such as domestic stability, economic size, and strategic significance. The US approach and trade policy toward these countries are often conditional, linking trade benefits and deeper economic engagement to progress on issues like labor rights, human rights, governance, and market reforms.

Trade ties between the United States and smaller South Asian nations exhibit diverse patterns; however, it is premature to ascribe all changes to the specific tariff shock predominantly affecting India. The trade volumes between the US and these smaller economies are relatively small but still considerable (Ali, 2023). In 2024, Bangladesh's total goods trade with the US was around USD 10.7 billion, resulting in a US goods deficit of about USD 6.1 billion (U.S. Trade Representative, 2024). The main exports from Bangladesh to the US are textiles and garments. These are crucial to Bangladesh's export economy. Nepal, with a lower trade profile, had a goods trade value of around USD 240.6 million. Its exports to the United States are mostly textiles and carpets (U.S. Trade Representative, 2024). These statistics indicate that, despite their smaller size, South Asian nations have become increasingly integrated into the US trade network, particularly in the sectors of textiles, apparel, and agricultural products.

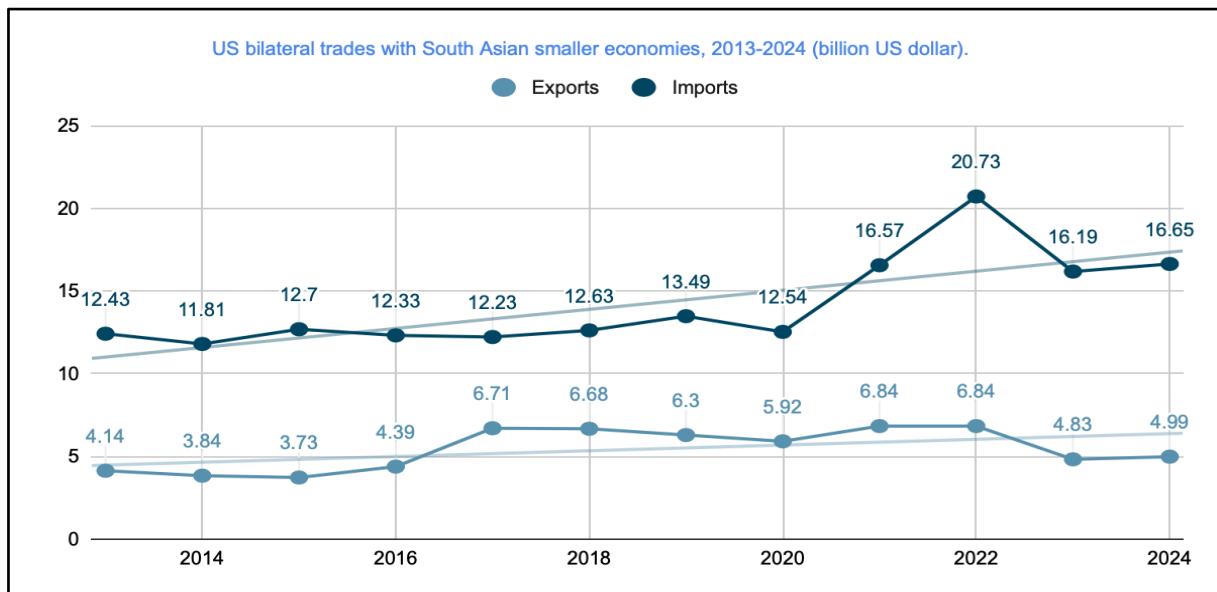
The US-Pakistan relations are notably intricate, influenced by interconnected economic and security factors (Osmani, 2018; Attanayake & Wakkumbura, 2023), though bilateral trade relations gradually increased. According to the Observatory of Economic Complexity (OEC) data, from July 2024 to July 2025, exports between the two countries increased by 8.34% from USD 138M to USD 149M, while imports decreased by 1.12% from USD 482M to USD 477M. Likewise, US-Sri Lanka ties have been defined by robust economic, political, and security connections (Ali, 2023). The United States has played a crucial role in facilitating economic development initiatives essential for Sri Lanka's recovery and stabilization. The trade balance is reasonably stable, characterized by substantial exports of tea and textiles from Sri Lanka to the US, offset by imports of machinery and chemicals essential for its development (Ali, 2023). Furthermore, Sri Lanka's growing significance in US foreign policy is heightened by strategic apprehensions regarding China's expansion in the Indian Ocean, indicating that trade relations are intricately linked to overarching geopolitical strategies (Kaya & Kılıç, 2017).

Figure 3. A comparison of US exports to and imports (goods) from South Asia, 2023-2024 (billion US dollar).



Sources: International Monetary Fund (IMF) and US Trade Representative.

Figure 4. A comparison of US exports to and imports (goods) from South Asia (except India), 2023-2024 (billion US dollar).



Sources: International Monetary Fund (IMF) and US Trade Representative.

The US bilateral trade with smaller South Asian economies is interconnected with India. India largely dominates the South Asian economy, particularly foreign trade with the United States (see Figure 3 and 4). The following two figures demonstrate that India has been the largest trade partner of the US in South Asia, while over 80% of trade has occurred between these two larger economies. Therefore, an uneasy trade environment between New Delhi and Washington could have profound impacts on the US's trade with other smaller South Asian economies.

South Asian economies are heavily interconnected with India, relying on vast markets, intermediate goods, raw materials, and transit routes. Most of the smaller countries are substantially reliant on India for daily essential goods. A downturn or reorientation of Indian trade patterns due to US tariff policies could both overtly and covertly affect its neighbouring countries' trade with the United States. For instance, a significant volume of products from Bangladesh, Bhutan, and Nepal usually transit via India to reach the US market. In this case, any friction in US-India trade and transit routes could complicate the exports of these smaller nations to the United States.

Despite the complexity, experts saw a potential for significant reorientation of South Asia's trade with the United States, and it has already started to happen in some cases. The US has started importing some key goods, like garment products, from other South and Southeast Asian countries, which it previously imported from India (The Times of India, 2025). Three South Asian countries, such as Bangladesh, Pakistan, and Sri Lanka, have been alternative sources for the US for certain products, including garments, textiles, seafoods, and electronics.

5. Discussions: Geopolitical and Geoeconomic Implications for South Asia and Beyond

Beyond bilateral concerns, the United States tariff policy and transactional approach toward India carry broader geoeconomic and geopolitical implications, particularly in the context of intensifying major power competition within the region.

5.1. Economic Implications

The Trump administration's tariff policy toward India and the revocation of India's GSP facilities have exerted substantial consequences across the region, as outline below:

First, facing higher US tariffs and the loss of GSP opportunities, India is compelled to redirect its exports to alternative markets, both within and outside the region. Largely affected Indian industries may reorient their supply chains to foster intra-regional networks or establish new ones with non-traditional partners. Additionally, India might further strengthen its engagement with various economic blocs such as BRICS and SCO (Shanghai Cooperation Organisation) to build alternative trade and investment networks. Concurrently, the United States might explore other South Asian nations for similar products. These shifts could have adverse effects on the South Asia region, particularly if nations are pressured to align with a single economic bloc. For instance, as the United States remains the largest export destination for many South Asian nations like Bangladesh, they may view the contemporary US-India trade relationship with increased caution.

Second, South Asian economies are increasingly integrated, with countries like Bangladesh, Bhutan, Nepal, and Sri Lanka relying significantly on India for daily essential goods, raw materials, and transit routes. A slowdown in India's industrial output or an increase in the cost of Indian goods due to tariffs could trigger a cascading effect across the regional supply chains. India's regional economic hegemon may diminish due to its own economic vulnerability, thereby constraining its ability to offer preferential trade or investment to its neighbours. Moreover, other South Asian countries' exports to the United States via India could be adversely affected by the strained bilateral trade relations between New Delhi and Washington. Furthermore, South Asian nations might face difficulties accessing other global economies if India's traditional trade routes are disrupted.

Third, the strained relations between New Delhi and Washington could present an advantage for Beijing to bolster its economic influence in South Asia even further. If India feels economically pressured by the United States, it might become more receptive to Chinese trade and investment initiatives, particularly the Belt and Road Initiative (BRI). China is well-positioned to fill any economic vacuum created, potentially leading smaller countries to further deepen their engagements with Beijing for goods, infrastructure, loans and investments. However, growing concerns persist regarding debt traps and geopolitical leverage for smaller economies stemming from over reliance on Chinese capital.

Fourth, the US admiration's trade policies, characterised by their transactional nature and lack of clear, stable rules, could profoundly affect Foreign Direct Investment (FDI) not only in India but across the entire South Asian region. Investors generally prefer stability and clear trade rules and regulations, which may be undermined by this approach. Moreover, foreign investments in export-oriented sectors that heavily rely on access to western markets may be curtailed due to uncertainty. On the contrary, India might seek foreign investments from other major economies, such as China, Japan, Brazil, Russia, and the Middle East, to compensate for any short-term instability. This diversification, however, might be viewed unfavourably by western investors. Consequently, if foreign investors limit or new investors are disincentivised from investing in India, they may also show reduced interests in other South Asian countries, considering the interconnected regional political and economic dynamics.

Last, but not least, trade tensions with external powers can sometimes spur greater intra-regional trade. India, for example, might intensify efforts to integrate the two key regional organisations, SAARC and BIMSTEC, and revitalise other inactive smaller economic blocs like BBIN. However, the potential for this in South Asia remains limited in the near future due to intricate international relations among its nations. Long-standing political rivalries, inadequate infrastructure, and existing non-tariff trade barriers within SAARC, coupled with the slow progress of BIMSTEC, collectively hinder the development of robust intra-regional trade necessary to offset external pressures.

5.2. Geopolitical Implications

While the United States tariff policies are primarily economically targeted, they have profound geopolitical implications for the broader South Asia region and the evolving Indo-Pacific security architecture, particularly concerning regional power dynamics, alignments, and strategic calculations:

First, despite being an important strategic security partner in the Indo-Pacific, the tariff dispute risks weakening ties between New Delhi and Washington. The situation demonstrates that economic self-interest can override strategic considerations, leading to friction even with key partners. As a major defense partner of the United States (Türker, 2024; Vinodan & Kurian, 2024), India's experience of facing high tariffs leads to mistrust and disagreements among leaders and the general populace, potentially necessitating reciprocal measures (Kaya & Kılıç, 2017). This underscores the unpredictability of Washington's policy, which could further foster mistrust and misperception among allies. Furthermore, should trade relations deteriorate further, US-led initiatives like the Quad (Quadrilateral Security Dialogue) or the broader Indo-Pacific security framework could wane. Consequently, India may be less inclined to align its geopolitical interests with the US, potentially yielding advantages to other powers like China and Russia in the region.

Second, India, as a regional hegemon, often seeks to project stability and influence, at least, in South Asia. However, the tariffs could be perceived as a sign of vulnerability, potentially undermining India's economic leverage in its own region. Observing India's struggle with the US might have led other South Asian countries to conclude that the efficacy of aligning too closely with any single major power is suboptimal. This could encourage these smaller nations to further diversify their own external relations. Furthermore, these countries might adopt more sophisticated "hedging strategies" by diversifying economic and diplomatic relationships with multiple powers to avoid over-reliance on any single entity, thereby safeguarding against future punitive actions.

Third, the strained relations between India and the United States could be observed as a greater geopolitical opportunity for China to strengthen its influence in the region. If New Delhi feels politically pressured from Washington and its allies, it might cultivate strong ties with Beijing and Moscow - recent interaction among these

three powers suggest such possibilities - potentially shifting the regional balance of power and geopolitical dynamics. However, this dynamic could, paradoxically, make it harder for India to diminish Chinese influence in the region.

Fourth, under economic pressure, India might seek to align or normalise relationships with perceived rivals like China (and Pakistan) to diminish US economic pressures or reduce its dependency on the United States. The potential for such normalisation has already been evidenced by the recent visit of Modi to China and diplomatic engagements. Additionally, India's increasing engagement with Russia, including the signing of various economic and military agreements, indicate a further intricate escalation in the Indo-Pacific and global power politics.

Finally, the Trump administration's tariff policy has been widely viewed as undermining multilateralism and the rules-based international order. This is particularly concerning for smaller South Asian economies, which significantly rely on predictable international rules to protect their interests against larger economic powers.

Conclusion

The mercantilist (economic) policies and realist (geopolitical) view of Trump's administration, particularly through the utilisation of a new tariff policy, contribute to reshaping global political and economic dynamics. By targeting certain major economies and militaries, the United States has aimed to maintain its economic and military superiority through the exercise of material power. While India is not the primary target, unlike China and Russia, the revocation of India's GSP advantage and high tariffs on certain goods have created an uneasy situation in South Asia, challenging traditional alliances, fostering economic uncertainty, and contributing to geopolitical vulnerability.

In aggregate, the US–South Asia trade landscape post-tariff reveals the following scholarly observations: First, the US–India relationship, previously characterised by growing bilateral trade volumes and increasing service-linkages, is now under acute pressure from the punitive tariff regime. This shift threatens both the economic and strategic pillars of the relationship. This also highlights how economic tools are weaponised as instruments of foreign policy, blurring the lines between economic competition and geopolitical maneuvering in a growing multipolar world. Second, smaller South Asian economies such as Bangladesh and Sri Lanka remain integrated into US trade networks, especially through apparel and garment sectors. However, they face heightened uncertainty due to changes in US sourcing patterns, tariff policies, and geopolitical conditionality. Third, while the goods-trade figures for Bangladesh and Sri Lanka do not yet show dramatic decline, the trend lines and qualitative indicators (export-order cancellations, tariff-increase warnings) suggest increased risk exposure. For a research project centred on legitimacy and trade regimes, these data imply that trade-policy coercion (via tariffs) is not neutral but carries normative and structural consequences: states like India face diminished strategic-economic legitimacy from the US partner-side, while smaller South Asian states may face spill-over instability and intricate choices even if they are not the primary target. Finally, the transactional nature of great power relations may further escalate the geopolitical and geoeconomic dynamics in South Asia and the broader region.

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Credit Authorship Contribution Statement

Md Abul Hasan: Conceptualization, Theoretical analysis, Methodology, Formal analysis, Writing – original draft, Writing – review and editing, Supervision.

Jannatul Ferdos: Conceptualization, Formal analysis, Writing – original draft, Supervision, Writing – review and editing.

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Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Declaration of Use of Generative AI and AI-Assisted Technologies

The authors declare that they have not used generative AI and AI-assisted technologies in the writing process of this paper.

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