

## Revisiting U.S.–India Trade Relations: Legal and Economic Implications of Tariff Easing in 2025

*By-Saachi Dhingra*

*Law Student, Vivekananda Institute of Professional Studies, Delhi*

### **ABSTRACT**

Over the last decade, India–U.S. trade has swung between convergence and friction. Following the United States’ withdrawal of India’s GSP benefits in 2019 and security-framed tariffs on metals under Section 232, New Delhi answered with calibrated countermeasures and WTO steps. A partial thaw arrived in 2023 when several disputes were closed and some duties unwound. In 2025, however, Washington again escalated with steep, “penal” duties on a broader set of Indian goods while simultaneously signalling a possible near-term rollback<sup>1</sup>. This paper evaluates those developments through the lens of international economic law: the disciplines on MFN, bindings and national treatment under GATT 1994; the scope of the security exception; and the practical effect of an impaired system of WTO appeals.

Two claims are advanced. First, routine recourse to emergency or security authorities to raise tariffs weakens multilateral predictability and imposes non-trivial planning costs on exporters and investors. Secondly, India’s optimal response blends law and statecraft—asserting rules where useful, bargaining for time-bound relief bilaterally, and insulating supply chains through market diversification. Even if late-2025 easing materialises, the episode underscores that restoring binding, two-tier dispute settlement and setting clearer guardrails for security-based measures are essential to long-run certainty.

### **INTRODUCTION**

India and United States are among each other’s principal trading partners, but the foundations of their trade relationship have repeatedly come under stress since 2018. The developments of September 2025—when reports suggested that Washington may reduce ‘penal’ tariffs on Indian exports—can only be understood against the backdrop of earlier measures, retaliations,

---

<sup>1</sup> *Office of the U.S. Trade Representative, United States Announces Major Resolution on Key Trade Issues with India (June 22, 2023)*

and partial settlements<sup>2</sup>.

The earliest rupture occurred in 2018–2019, when the United States relied on Section 232 of Trade Expansion Act of 1962 to impose tariffs of 25% on steel and 10% on aluminium, which applied to Indian exports as well. India contested these duties at the WTO in dispute DS547, claiming that they violated provisions of GATT 1994 and the Agreement on Safeguards<sup>3</sup>. The panel report later described both the scope of the measures and the competing legal arguments, referencing the presidential proclamations under Section 232<sup>4</sup>.

At around the same time, in March 2019, due to concerns over market access, the United States withdrew India's Generalised System of Preferences (GSP) beneficiary status<sup>5</sup>. While this action was unilateral and outside the WTO system, it removed preferences on a significant group of products, thereby compounding the impact of Section 232 tariffs on certain sectors. For Indian exporters, the result was higher costs in the U.S. market and a need to compete more on efficiency and pricing than on preferential margins.

By mid-2023, both governments sought to repair trade ties. They agreed to end six WTO issues during Prime Minister Modi's June state visit to Washington, and India removed retaliatory tariffs on several American agricultural items, such as apples, walnuts, and pulses. The United States also indicated flexibility on Indian steel and aluminium via its Section 232 exclusion process<sup>6</sup>. In September 2023, another joint announcement confirmed the resolution of the poultry dispute (DS430) and further tariff concessions. These actions were presented as a 'new beginning' in the trade relationship<sup>7</sup>. Together, these moves were heralded as a "new beginning" in trade ties<sup>8</sup>.

Despite these reconciliatory steps, 2025 brought fresh turbulence. Reports through September indicated that U.S. tariffs on Indian goods were increased in stages, with some reaching as

---

<sup>2</sup> *ID.*

<sup>3</sup> *Request for Consultations by India, United States—Certain Measures on Steel and Aluminium Products, WTO Doc. WT/DS547/1 (Mar. 20, 2018)*

<sup>4</sup> *Panel Report, United States—Certain Measures on Steel and Aluminium Products (India), WTO Doc. WT/DS547/R (Aug. 8, 2023)*

<sup>5</sup> <https://ustr.gov> - Office of the U.S. Trade Representative, *United States Will Terminate GSP Designation of India and Turkey (Mar. 4, 2019)*

<sup>6</sup> *Office of the U.S. Trade Representative, United States Announces Major Resolution on Key Trade Issues with India (June 22, 2023)* - <https://ustr.gov>

<sup>7</sup> *Office of the U.S. Trade Representative, United States and India Announce Resolution of the WTO Poultry Dispute (Sept. 8, 2023)*, <https://ustr.gov>

<sup>8</sup> *Rami Ayyub, U.S., India Agree to Terminate Six WTO Disputes, Reuters (June 22, 2023)*, <https://www.reuters.com/world/us-india-agree-terminate-six-disputes-wto-us-statement-2023-06-22/>

high as 50 per cent, before suggestions emerged that they could be reduced to the 10–15 per cent range by late November. India’s Chief Economic Adviser estimated that such duties might cut growth by 0.5 to 0.6 per cent in that year, though he also expressed optimism about a reversal in the near-term<sup>9</sup>. Media reports linked the legal basis for the tariffs to U.S. emergency economic powers, while Commerce Minister Piyush Goyal’s visit to Washington on 22nd September 2025 highlighted that the two sides were engaging diplomatically even as legal questions remained unresolved<sup>10</sup>. Meanwhile, Commerce and Industry Minister Piyush

Goyal’s travel to Washington on 22 September 2025 underscores that bilateral channels remain active even as the legal posture is unsettled<sup>11</sup>.

The legal context matters. The GATT 1994—part of Annexe 1A to the WTO Agreement—hard-wires disciplines most relevant here: “Most-Favoured-Nation (MFN)” (Article I), tariff bindings (Article II), and National Treatment (Article III)<sup>12</sup>. These are policed through the WTO’s “Dispute Settlement Understanding (DSU)”. Though, since December 2019, the Appellate Body was non-functional due to persistent appointment blocks, weakening the enforceability of panel outcomes when a party files “appeal into the void<sup>13</sup>.” In security-framed disputes, such as Russia—Traffic in Transit (DS512), the Article XXI exception had interpreted as justiciable, but with a deferential, context-bound standard: members determine their essential security interests yet must act in good faith and within the textual limits of “emergency in international relations<sup>14</sup>.” These doctrinal developments define the boundaries for assessing 2025 measures.

For India, the policy problem is immediate and two-track. On the economic track, steep U.S. tariffs—especially if applied across broad headings—hurt labour-intensive sectors (textiles, gems and jewellery, seafood) and create pricing uncertainty that complicates contracts, logistics, and hedging. On the legal-diplomatic track, India must decide whether to bring fresh WTO claims (with the adoption risk noted above), pursue temporary arrangements (e.g., exclusions, tariff-rate quotas), or convert the current negotiations into a formula-based

---

<sup>9</sup> *India’s CEA Flags Tariff Fallout, Predicts Growth Hit, Times of India (Sept. 9, 2025)*

<sup>10</sup> *U.S. May Scrap Penal Import Duty on Indian Goods, NDTV (Sept. 18, 2025), <https://www.ndtv.com/india-news/us-25-penal-tariff-on-india-may-be-removed-after-november-30-chief-economic-adviser-v-anantha-nageswaran-9299782>*

<sup>11</sup> *Piyush Goyal in Washington for Trade Talks, Times of India (Sept. 20, 2025)*

<sup>12</sup> *General Agreement on Tariffs and Trade 1994, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, 1867 U.N.T.S. 187*

<sup>13</sup> *WTO, Appellate Body Members 1995–2019*

<sup>14</sup> *Panel Report, Russia—Measures Concerning Traffic in Transit, WTO Doc. WT/DS512/R (Apr. 5, 2019)*

easing that offers predictability. The public hint of easing to 10–15% suggests a bargained landing zone rather than a full reversion to pre-measure status<sup>15</sup>. The question this paper explores is whether such an outcome would be law-consistent under GATT and commercially meaningful for Indian firms, or merely a stopgap that leaves the legal system’s weaknesses intact.

The structure that follows is intentionally doctrinal yet practical. Part I reconstructs the background—2018–2023 measures and settlements—and maps the 2019 GSP withdrawal and Section 232 experience into today’s policy choices. Part II sets out the legal framework: GATT Articles I, II, III, and XXI; DSU; and the implications of Appellate Body impasse. Part III

details the September 2025 developments and evaluates their compatibility with WTO rules and domestic U.S. authorities. Part IV offers a critical analysis of strategic options for India, including litigation, negotiation, and diversification. Part V concludes with concrete proposals, including a rules-based guardrail on security tariffs and a time-bound pathway to restore effective dispute settlement.

## **BACKGROUND AND TIMELINE (2018- SEPTEMBER 2025)**

The current contestation over United States tariffs on Indian goods is not an isolated development; rather, it is the culmination of a series of trade frictions that began in 2018. To understand the significance of the September 2025 easing signals, it is necessary to retrace the background, beginning with the Section 232 measures, GSP withdrawal, and the partial reconciliations reached in 2023.

### **The Section 232 Tariffs (2018)**

In March 2018, the United States invoked Section 232 of the Trade Expansion Act of 1962 to apply duties of 25 per cent on steel and 10 per cent on aluminium, citing national security concerns<sup>16</sup>. These measures extended to Indian exports as well. India brought the matter before the WTO in dispute DS547, alleging that the action breached obligations under GATT 1994 and the Agreement on Safeguards. The panel report delivered in August 2023

---

<sup>15</sup> *U.S. May Ease India Tariffs, Chief Economic Adviser Says*, *supra* note 1

<sup>16</sup> *Presidential Proclamation “9705, Adjusting Imports of Steel into the United States*, 83 Fed. Reg. 11,625 (Mar. 8, 2018), <https://www.federalregister.gov/documents/2018/03/15/2018-05478/adjusting-imports-of-steel-into-the-united-states>

recorded both the details of the tariffs and India's arguments, but the matter remains unresolved in practice because of the non-functional Appellate Body since 2019

The WTO panel report released in August 2023 confirmed that India had challenged both the tariff levels and the justifications offered under Article XXI (security exceptions)<sup>17</sup>. However, like other Section 232 disputes, the panel outcome remains subject to “appeal into the void,” given the non-functional Appellate Body since 2019<sup>18</sup>.

## **Withdrawal of India's GSP Status (2019)**

In March 2019, Washington withdrew India's beneficiary status under GSP<sup>19</sup>. The decision, though unilateral and outside the WTO framework, impacted roughly USD 5.6 billion in exports that had earlier entered duty-free. In India, the step was seen as an effort to push for wider market access, including in areas like e-commerce or data localisation<sup>20</sup>. The effects were sharpest in labour-intensive sectors like gems, jewellery, engineering, and agricultural goods, where exporters lost a key price advantage in U.S. market.

The loss of GSP benefits particularly hurt labour-intensive sectors such as gems and jewellery, engineering goods, and some agricultural products. For Indian exporters, this meant heightened exposure to U.S. tariffs and erosion of competitive advantage in one of their largest markets.

## **India's Retaliatory Tariffs (2019)**

India reacted to the Section 232 duties by imposing tariffs on 28 U.S. products, among them walnuts, apples, and almonds<sup>21</sup>. The choice of goods was calculated to make an impact in politically sensitive U.S. constituencies while limiting disruption to Indian consumers. This step highlighted New Delhi's determination to safeguard its trade interests, though it also added new friction and uncertainty into the bilateral economic relationship.

---

<sup>17</sup> *Panel Report, United States—Certain Measures on Steel and Aluminium Products (India), WTO Doc. WT/DS547/R (Aug. 8, 2023) Panel Report, United States—Certain Measures on Steel and Aluminium Products (India), WTO Doc. WT/DS547/R (Aug. 8, 2023)*

<sup>18</sup> *WTO, Appellate Body Members 1995–2019*

<sup>19</sup> *Office of the U.S. Trade Representative, United States Will Terminate GSP Designation of India and Turkey (Mar. 4, 2019)*

<sup>20</sup> *Congressional Research Service, Generalised System of Preferences (GSP): Overview and Issues for Congress (2019)*

<sup>21</sup> *Ministry of Finance (India), Notification No. 11/2019-Customs (June 2019)*

Although the retaliatory tariffs demonstrated India's willingness to push back, they also entrenched bilateral frictions and generated uncertainty for traders in both countries.

## **ATTEMPTS AT RESET: 2023 DISPUTE SETTLEMENTS**

In 2023, the two governments made efforts to stabilise their trade relations. During Prime Minister Modi's visit to Washington in June, they announced settlement of six WTO disputes, including the steel and aluminium case, while India withdrew retaliatory tariffs on U.S. farm goods like pulses and apples. A further joint statement in September confirmed resolution of the poultry dispute (DS430) and modest additional tariff cuts. These outcomes were presented as a turning point in bilateral trade, signalling a preference for cooperation over confrontation. Yet, as subsequent developments in 2025 illustrate, the structural tensions remained unresolved.

## **THE 2025 ESCALATION**

Despite the conciliatory steps of 2023, tensions returned in 2025. Reports suggested that U.S. tariffs on Indian products were raised in phases, with some reaching nearly 50 per cent<sup>22</sup>. Officials in New Delhi described the move as disproportionate, with India's Chief Economic Adviser estimating a 0.5–0.6% hit to GDP growth<sup>23</sup>.

India's Chief Economic Adviser warned that the higher tariffs could reduce GDP growth by 0.5 to 0.6 per cent in that year. By mid-September, however, outlets like Reuters and NDTV indicated that Washington was considering scaling the duties back into the 10–15 per cent range. Commerce Minister Piyush Goyal's trip to Washington on 22 September 2025 signalled that India was prioritising negotiation as the immediate response rather than litigation at the WTO<sup>24</sup>.

## **LEGAL FRAMEWORK UNDER INTERNATIONAL ECONOMIC LAW**

The normative framework of international economic law, particularly the World Trade Organization (WTO) system, cannot be used to examine the disputes between India and the United States in isolation. The "General Agreement on Tariffs and Trade 1994

---

<sup>22</sup> *U.S. May Ease India Tariffs, Chief Economic Adviser Says, Reuters (Sept. 18, 2025), Supra*

<sup>23</sup> *India's CEA Flags Tariff Fallout, Predicts Growth Hit, Times of India (Sept. 9, 2025)*

<sup>24</sup> *Piyush Goyal in Washington for Trade Talks, Times of India (Sept. 20, 2025)*

(GATT 1994)”, DSU and the jurisprudence on national security exceptions are the central legal texts or doctrines that are relevant to the tariff controversies.

## **Most-Favoured-Nation and National Treatment Principles**

The WTO trading order is founded on two fundamental principles: the **National Treatment requirement** in Article III and the “**Most-Favoured-Nation (MFN)**” clause in Article I of GATT 1994. MFN mandates that members extend any trade concession granted to one country to all others in the same manner, whereas National Treatment prohibits less favourable treatment of imported products once they enter the domestic market. When the United States applied steep and selective tariffs to Indian exports, it risked contravening both norms. Such duties, especially when exceeding tariff bindings under Article II, unsettle the negotiated balance of rights and obligations. Bound Tariffs and Market Access

Article II of GATT 1994 fixes a ceiling for tariffs through schedules agreed by members. Exceeding these bound rates amounts to a breach unless an exception applies. By raising duties on Indian goods from 25 per cent to nearly 50 per cent, the United States appears to have acted beyond its commitments. For India, this is more than a technicality: bound tariffs are meant to ensure stability, and any departure erodes the predictability that exporters rely on. Even if the United States later lowers the rates, the very fact of exceeding the bindings highlights the fragility of the system. The Security Exception (Article XXI)

According to Washington, the 2025 measures and the Section 232 duties were both justified by national security concerns. GATT members are permitted to implement measures that they deem necessary to safeguard their essential security interests during periods of war or other emergencies, as stipulated in Article XXI(b). Traditionally, this clause was perceived as wholly self-judging. The **Russia—Traffic in Transit** panel (2019) clarified, however, that security claims are subject to limited review. Members are allowed to retain discretion, but they must act in good faith and establish an authentic connection to an emergency in international relations<sup>25</sup>.

---

<sup>25</sup> *Panel Report, Russia—Measures Concerning Traffic in Transit, WTODoc. WT/DS512/R (Apr. 5, 2019), [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds512\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds512_e.htm)*

In the India–U.S. situation, the key issue is whether the tariffs truly serve security aims or whether they mask protectionist objectives. If the latter, India has a credible case under WTO law.

## **Dispute Settlement and the Appellate Body Crisis**

The WTO's DSU was designed as a two-stage process: first panels, then appeals before the Appellate Body. Since December 2019, however, the Appellate Body was unable to function because appointments have been blocked<sup>26</sup>. This allows parties to file appeals 'into the void,' effectively suspending panel outcomes. For India, this undermines the value of pursuing a new case against the United States: even if a panel rules in its favour, the decision could be stalled indefinitely through an appeal, pushing New Delhi to rely more on bilateral negotiation than multilateral enforcement.

## **Synthesis**

The legal framework thus highlights a tension. On paper, WTO rules prohibit discriminatory and excessive tariffs, with limited exceptions. In practice, enforcement is weakened by institutional paralysis and expansive invocations of national security. This gap between law and practice defines the current predicament: India has rights under GATT but exercising them effectively depends on whether the WTO dispute settlement system is restored or whether political negotiation can secure relief.

## **CURRENT DEVELOPMENTS IN 2025**

In 2025, trade tensions between India and the United States escalated once more. Despite the progress made in 2023, Washington imposed steep tariffs on Indian goods during the first half of the year. Media accounts suggested that duties, which had earlier stood at 25 per cent on steel and related products, were increased in stages up to 50 per cent across a wider basket of imports<sup>27</sup>. These steps were said to rest on U.S. emergency economic powers, resembling but expanding upon the earlier Section 232 approach.

For India, the consequences were quickly felt. The Chief Economic Adviser (CEA) warned that the higher tariffs might reduce GDP growth by 0.5 to 0.6 per cent in 2025<sup>28</sup>. This estimate carried weight given that growth remains central to India's global economic

---

<sup>26</sup> *WTO, Appellate Body Members 1995–2019*

<sup>27</sup> *Supra 1*

<sup>28</sup> *India's CEA Flags Tariff Fallout, Predicts Growth Hit, Times of India (Sept. 9, 2025)*



positioning. Exporters in labour-intensive industries—such as textiles, jewellery, seafood, and engineering goods—were particularly hit. Companies faced contract renegotiations, shipment delays, and declining profit margins.

The political dynamics also came to the fore. Indian trade associations described the tariffs as discriminatory and destabilising, while U.S. manufacturers and retailers dependent on Indian inputs pressed for relief. As a result, the duties-imposed costs on both economies, weakening the credibility of the national security justification offered by Washington.

By mid-September 2025, the tone shifted. Reports from Reuters and NDTV suggested that the U.S. administration was weighing the possibility of reducing the ‘penal’ tariffs to the 10–15 per cent range by late November<sup>29</sup>. Though not a formal decision, this signal reflected the impact of domestic lobbying in the U.S. and the parallel track of bilateral talks with India.

Diplomatic engagement soon followed. On 22 September 2025, Commerce and Industry Minister Piyush Goyal visited Washington for consultations<sup>30</sup>. His trip demonstrated that both governments favoured a negotiated settlement over rushing to the WTO. For India, the immediate aim was predictability: exporters could manage tariffs in the 10–15 per cent range more easily than volatile swings between 25 and 50 per cent.

From a legal perspective, however, even a partial rollback does not settle the matter under WTO rules. Bound tariff levels remain the standard, and duties exceeding those limits—whether 50 per cent or 15 per cent—are *prima facie* violations unless justified by a recognised exception. Easing may soften the economic blow, but it does not remove the underlying legal inconsistency.

## **CRITICAL ANALYSIS**

### **The Limits of Unilateral Tariff Action**

The U.S. reliance on emergency or security powers to impose tariffs illustrates the fragility of the multilateral trading system. By invoking domestic statutes such as Section 232 and framing measures as linked to “national security,” Washington bypasses the negotiated

---

<sup>29</sup> *U.S. May Scrap Penal Import Duty on Indian Goods, NDTV (Sept. 18, 2025), <https://www.ndtv.com/india-news/us-25-penal-tariff-on-india-may-be-removed-after-november-30-chief-economic-adviser-v-anantha-nageswaran-9299782>*

<sup>30</sup> *Piyush Goyal in Washington for Trade Talks, Times of India (Sept. 20, 2025)*

disciplines under GATT. Although WTO law recognises exceptions, the expansive use of these justifications’ risks hollowing out the rule-based order.

For India, the economic consequences of unilateral U.S. tariffs are compounded by legal uncertainty. Exporters face a moving target: bound rates under GATT promise predictability, yet unilateral action transforms the playing field into one shaped by executive discretion in another jurisdiction. Even the promise of easing tariffs to 10–15% in late 2025 does not erase the precedent of sudden escalation.

The broader risk is systemic: if all WTO members begin invoking an expansive notion of ‘security’ to justify tariff hikes, the fundamental guarantees of MFN and tariff bindings would lose much of their practical meaning. The United States, as one of the architects of the post war trade order, carries special responsibility. Its repeated resort to such measures undermines its credibility when advocating rule-based global trade.

## **India’s Strategic Options**

India faces a choice between litigation, negotiation, and diversification.

1. **Litigation at the WTO:** On paper, India has a strong claim. Tariffs exceeding bound rates without lawful justification breach Article II of GATT. However, the Appellate Body paralysis means that any favourable panel ruling could be appealed into the void<sup>31</sup>. Litigation, therefore, risks consuming resources without immediate relief.

2. **Bilateral Negotiation:** The September 2025 talks in Washington exemplify the pragmatic path. India can leverage its growing geopolitical relevance, its role in global supply chains, and its participation in initiatives like Indo-Pacific Economic Framework to bargain for tariff relief. Although negotiations do not provide the doctrinal clarity of a WTO ruling, they can give exporters immediate certainty in pricing and contracts.

3. **Diversification:** Overreliance on a single export market heightens vulnerability. India’s ongoing negotiations with the European Union, the United Kingdom, and other partners provide opportunities to rebalance trade. The basmati rice PGI dispute in the EU is one illustration of the hurdles, yet diversification remains an essential hedge against U.S. unpredictability.

## **Domestic Political Economy Considerations**

---

<sup>31</sup> *WTO, Appellate Body Members 1995–2019*

The U.S. tariffs are not solely a matter of foreign economic policy; they are entwined with domestic politics. Tariffs appeal to constituencies that perceive globalisation as undermining local industry. In the 2025 context, electoral calculations have influenced tariff choices as much as legal doctrines.

For India, awareness of this political economy is critical. Retaliatory tariffs in 2019 strategically targeted Californian almonds and Washington apples, knowing these products had electoral salience. A similar approach may be necessary in 2025 if negotiations fail: calibrated retaliation that maximises political visibility while minimising harm to Indian consumers.

## **Multilateral Implications**

The dispute transcends bilateral relations. It exposes the vulnerability of the WTO system when its most powerful member circumvents rules. The Russia-Traffic in Transit panel confirmed that security exceptions were reviewable, yet their open-textured nature gives space for abuse<sup>32</sup>. If U.S. tariffs on Indian goods stand unchallenged; other states may feel emboldened to follow suit.

Moreover, the WTO's institutional paralysis is prolonged by these very practices. The United States justifies its blocking of Appellate Body appointments partly by claiming overreach in past jurisprudence. Yet its own expansive interpretation of "security" magnifies the need for a functioning appellate mechanism. This contradiction places middle powers such as India in a difficult position: legal rights exist on paper, but remedies often depend on political bargaining.

## **India's Long-Term Strategy**

India's response must be calibrated, neither purely confrontational nor submissive. Three strands are worth highlighting:

- **Legal Signalling:** Even if litigation is unlikely to deliver enforceable relief, initiating consultations at the WTO signals that India does not acquiesce to violations. The record matters, both for precedent and for diplomatic leverage.

---

<sup>32</sup> *Panel Report, Russia—Measures Concerning Traffic in Transit, WTO Doc. WT/DS512/R (Apr. 5, 2019)*

- **Negotiated Guardrails:** India could press for formula-based easing- say, pegging tariff reductions to a predictable schedule. This would reduce uncertainty and avoid the whiplash of arbitrary hikes.
- **Coalition-Building:** India can align with like-minded countries, such as Brazil or South Africa, to push for reform of Article XXI jurisprudence and restoration of the Appellate Body. Collective action magnifies bargaining power and keeps the issue alive in global fora.

## **Evaluating the Prospective Easing**

If the United States reduces tariffs to 10–15% by November 2025, the immediate economic relief would be tangible. Exporters could resume contracts with greater confidence, and GDP loss estimates would narrow. Yet, legally, even a 15% tariff may exceed bound rates, leaving the inconsistency unresolved.

Thus, the easing is best seen as a political compromise, not a legal cure. It reflects the interplay of economic pressure, lobbying by U.S. industries, and Indian diplomacy. From a systemic perspective, however, it underlines the gap between what WTO law requires and what political bargaining delivers.

## **Critical Balance**

The crux of the matter lies in balancing law and politics. The United States has the capacity to destabilise rules; India, though less powerful, can contest, negotiate, and reframe narratives. The episode illustrates that international economic law is not merely about legal texts but about the credibility of commitments, the resilience of institutions, and the capacity of states to safeguard their interests through multiple strategies.

## **CONCLUSION**

The unfolding tariff dispute between India and the United States in 2025 exemplifies both the strengths and vulnerabilities of contemporary international economic order. On one hand, WTO rules clearly prohibit arbitrary and excessive tariff hikes beyond bound rates, and jurisprudence such as *Russia—Traffic in Transit* confirms that even security exceptions are Subject to good faith review. In contrast, the paralysis of the Appellate Body and the increasing use of national security justifications by major economies reveal the limits of law when power politics dominate.

For India, the immediate challenge is economic: shielding exporters, stabilising contracts, and mitigating the projected GDP loss. The prospective easing of tariffs to the 10–15% range will provide partial relief, but it cannot mask the legal infirmity of the measures. Strategically, India must adopt a multi-track approach: preserve its rights under WTO law through consultations, pursue negotiated settlements to secure predictability, and continue diversifying its trade partnerships to reduce dependence on any single market.

At the systemic level, the dispute underscores the urgent need for reform. Without a functioning two-tier dispute settlement system, WTO law risks becoming aspirational rather than enforceable. Restoring the Appellate Body, clarifying the scope of Article XXI, and establishing guardrails for security-based measures are vital to the credibility of multilateral trade governance.

In the final analysis, the India–U.S. tariff dispute is more than just a bilateral disagreement. It is a test of whether international economic law can still constrain unilateralism in an era of geopolitical contestation. The choices made by both governments in this episode will influence not only their trade relations but also the credibility of the multilateral trading system.