

India's Bitter Reward for Buying 'ALA': Trump's 50% Tariff Sparks Outrage in Delhi

By Special Correspondent | Buddhdev Pandya MBE | August 7, 2025

India's recent efforts to deepen its strategic and economic relationship with the United States have met a stunning setback. Despite significantly expanding purchases of U.S. oil, weapons, and agricultural goods - symbolically referred to by trade analysts as 'ALA' (Almonds, LNG, and Arms) - President Donald Trump has struck back with a punitive 50% tariff on Indian imports, a move that has drawn sharp protest from New Delhi.

The decision, formalised through a new executive order titled "Addressing Threats to the U.S. by the Government of the Russian Federation," follows repeated warnings from Mr. Trump over India's continued - "direct or indirect" - import of oil from Russia. The White House framed the action as a national security measure under Executive Order 14066, which relates to Russia's military actions in Ukraine.

"To deal with the national emergency described in Executive Order 14066, I determine that it is necessary and appropriate to impose an additional ad valorem duty on imports of articles of India, which is directly or indirectly importing Russian Federation oil," the executive order states.

Trump had first announced a 25% tariff on July 31, citing India's energy and military procurement from Russia, high existing tariffs, and what he described as India's "strenuous and obnoxious non-monetary barriers to trade."

Days later, he followed through on his threats to impose a further 25% "penalty" - bringing the total tariff burden to a staggering 50%. The first 25% takes effect today, August 7, with the remaining 25% scheduled to kick in after 21 days.

Over the past few days, Mr. Trump had repeatedly threatened further tariffs, describing them as a necessary response to India's refusal to fully align with U.S. sanctions against Russia. But in India, the measure is being viewed as economic coercion masquerading as trade enforcement - particularly given the backdrop of Delhi's recent pro-U.S. trade stance.

Over the last year, India undertook deliberate, high-value purchases from the United States across key sectors. In energy, it became one of the top buyers of American crude oil and liquefied natural gas (LNG), importing over \$12 billion worth between August 2024 and July 2025 - part of a shift away from other suppliers. In agriculture, India remained the world's largest buyer of U.S. almonds, importing more than \$900 million, along with soybeans, apples, and walnuts, taking the total to \$1.8 billion.

In defence, India finalised \$3.2 billion worth of U.S. arms deals, including new orders for Apache helicopters, Predator drones, and technology upgrades for existing American platforms.

This trio of big-ticket imports - Almonds, LNG, and Arms - was seen as India's way of demonstrating goodwill, bridging the trade imbalance, and signalling strategic partnership. But President Trump's tariff hammer has come down regardless, leaving many Indian policymakers stunned.

In its most forceful reaction yet, the Ministry of External Affairs (MEA) denounced the tariffs as "unfair, unjustified and unreasonable." The MEA reiterated that it had clearly conveyed its position during earlier consultations and called it

"extremely unfortunate that the U.S. has chosen this course of action."

As the U.S. imposes a steep 50% tariff on Indian imports, Leader of the Opposition Hon Rahul Gandhi has accused the Modi government of "strategic surrender" and failing to protect India's economic sovereignty. He called the action by U.S. President Donald Trump "economic blackmail" in response to India's continued oil imports from Russia and said the government had weakened India's position through premature and one-sided concessions.

"India increased its purchases of American oil, weapons, and agricultural goods - Almonds, LNG, and Arms - to build trust. Instead, we've been punished," Gandhi said in a formal statement, criticising what he called "ALA diplomacy." He blamed the government for conceding ground on defence, trade, and regulatory matters without securing reciprocal commitments.

Gandhi further attacked the government for "echoing Trump's false narrative of a 'dead economy' instead of defending India's economic strength and sovereignty on the world stage." He urged the government to table a white paper in Parliament detailing all trade concessions given to the U.S. and demanded a clear roadmap to restore India's autonomy in future negotiations.

While the Ministry of External Affairs called the U.S. move "unfair, unjustified and unreasonable," Gandhi said the government's response was inadequate, and that Indian exporters and workers would bear the real cost of the tariff war. He warned that the developments had effectively derailed prospects for a future bilateral trade agreement and left India at a

disadvantage compared to competitors like Vietnam and South Korea.

Commerce Minister Piyush Sharma issued a strongly worded statement, reminding Washington of India's extensive trade concessions - including relaxed price controls on medical devices, reduced import duties in select sectors, increased market access for U.S. agri-products, and openness to digital trade and cloud infrastructure.

"India has already made meaningful trade and investment concessions to the United States," he said. "The imposition of tariffs in response to our independent energy policy is economically punitive and strategically unwise."

The political backlash has been swift. Rahul Gandhi, Leader of the Opposition in the Lok Sabha, slammed the move as "economic blackmail." "India must not surrender its sovereign right to decide its energy interests. These tariffs are not about fair trade - they are about forcing political alignment," he said. "We bought ALA and more, and still ended up targeted. This is a failure of foresight and foreign policy."

Gandhi demanded a parliamentary debate and a white paper detailing all concessions made by the Modi government to the United States over the past three years.

While political tempers rise, India's business community is bracing for impact. Exporters across pharmaceuticals, auto components, textiles, and engineering goods - key sectors for Indian outbound trade - fear massive disruptions.

The Federation of Indian Export Organisations (FIEO) has warned of contract losses and layoffs. "Our exporters are not prepared to absorb a 50% tariff shock," said FIEO President A.K. Bhardwaj. "This could render Indian goods uncompetitive and endanger our market share in the U.S."

The Confederation of Indian Industry (CII) echoed those concerns, warning that the punitive move would shake investor confidence and derail prospects for the

long-awaited Bilateral Trade Agreement (BTA). "With this action, the BTA is practically off the table. The tariff disparity gives our competitors - including South Korea, Vietnam, and Indonesia - a major advantage," a CII spokesperson said.

In strategic circles, the message is being read in darker tones - as a signal that trade under Trump is no longer transactional but obedience-based. Leading trade experts say that the use of tariffs to enforce alignment on foreign policy sets a worrying precedent.

"India gave Trump what he asked for - from energy purchases to defence contracts to agri imports. Yet, it's being penalised for not cutting ties with Russia," said Dr. Radhika Menon, a senior fellow at the Centre for International Economic Policy. "This is not about tariffs. It's about control."

"This will push India to accelerate diversification," added Dr. Pranav Bhasin, a trade economist. "Europe, ASEAN, Latin America - these markets must become priorities. And India must now take a firm stand at the WTO."

India is expected to file a formal complaint with the World Trade Organization, while the Commerce Ministry is reviewing calibrated reciprocal measures to ensure domestic industries are protected. A senior official in the Directorate General of Foreign Trade (DGFT) confirmed that future trade policy will reflect a more cautious approach toward unilateral economic dependencies.

In the final reckoning, India bought ALA - Almonds, LNG, and Arms - to nourish a relationship it believed was deepening. It made policy shifts, opened its markets, and cooperated on security - all in good faith. But in return, it now finds itself isolated, penalised, and forced into damage control.

Trump may have called it a response to a "threat," but in Delhi, it feels more like a breach of trust. □

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