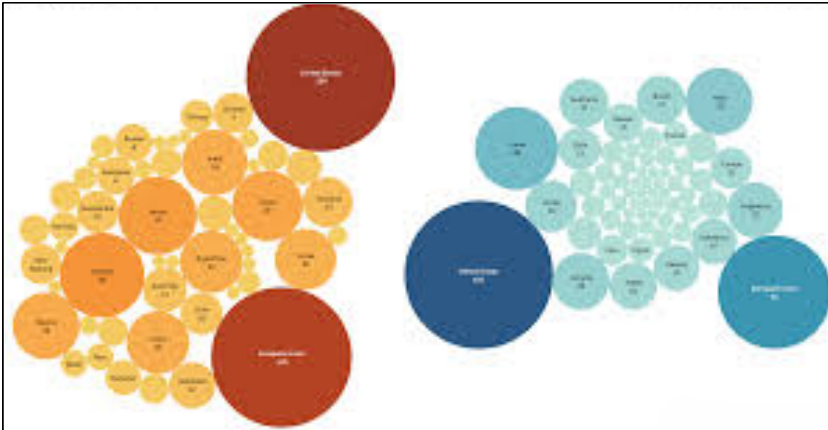


The Rise of Geo-Economics: How Nations Are Using Trade as a Weapon Instead of War



The new battlefield is the border

On August 27, 2025, the United States activated a new layer of duties on imports from India linked to Russian oil trade—an additional 25% surcharge that stacks on top of the “reciprocal tariff” baseline introduced earlier this year. For many Indian product categories, the combined effect pushes effective U.S. tariff rates into the ~35–50% range (varying by HS code and the reciprocal baseline for India). U.S. Customs and Border Protection (CBP) confirmed the India-specific 25% measure and explained that it layers on top of existing reciprocal rates; earlier white House tables set India’s reciprocal rate at 25% before this latest surcharge took effect.

The timing was geopolitical, not just commercial. Within days, leaders from India, China and Russia converged at the Shanghai Cooperation Organisation (SCO) Summit in Tianjin, China (August 31–September 1, 2025)—with Prime Minister Narendra Modi in the room with President Xi Jinping and Vladimir Putin. India’s Ministry of External Affairs’ readout and contemporary reporting confirm Modi’s participation and bilateral engagements on the sidelines, underscoring how trade leverage and summitry now move in lockstep. Welcome to geo-economics in 2025: tariffs, export controls, quotas, and investment screens have become the first resort for power politics—cheaper than war, faster than treaties, and potent enough to redraw supply chains.

for goods linked under the rule—explicitly stacking on top of the reciprocal tariff. Major wire services summarized this as “doubling” tariffs on imports from India to as much as 50%, which matches the math for categories where the 25% baseline already applied.

Why India? Washington’s move targets revenue streams associated with Russian oil flows—part of a transatlantic effort to tighten the \$60/barrel oil price cap regime and curb Russia’s wartime earnings, a policy that saw renewed enforcement emphasis through spring–summer 2025.

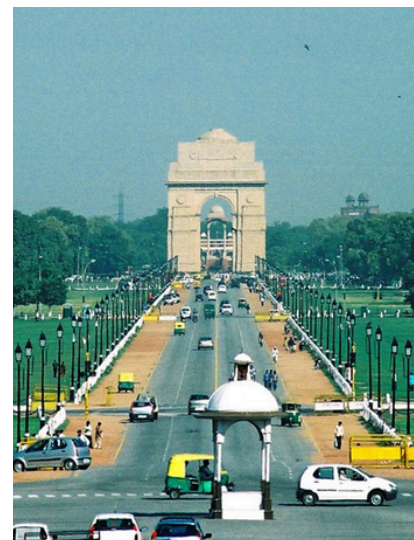
Bottom line for businesses: compliance just got more complex. Importers must evaluate both the reciprocal rate and the Russia-oil surcharge logic on a line-by-line basis. For many HS codes, landed costs for Indian goods entering the U.S. have jumped—sometimes sharply—since August 27.



What just changed between Washington and New Delhi?

Two layers of U.S. tariffs now apply to many Indian goods:

1. The “Reciprocal Tariff.” Established by Executive Order 14257 (April 2, 2025) and implemented through presidential modifications, this baseline applies country-by-country rates. The July 31, 2025 White House annex listed India at 25%.
2. The Russia-Oil Surcharge. On August 6, 2025, the White House issued Executive Order 14329, part of a broader Russia sanctions package. CBP’s official bulletin then announced the additional 25% duty on India, effective August 27, 2025,



SCO in Tianjin: optics and options

As tariffs bit in Washington, the SCO Summit in Tianjin (Aug 31–Sept 1, 2025) offered a contrasting tableau: a venue where India, China and Russia could speak the language of multipolarism and “strategic autonomy.” MEA confirmed Modi’s participation and India’s agenda, while international reporting tracked side-meetings with Xi and Putin that touched energy, connectivity and security coordination.

For New Delhi, this is the essence of **geo-economic balancing**: preserve deep trade ties with the United States (its largest single-country export market) while hedging via continental groupings and diversified energy lifelines. (For context on U.S.–India trade volumes and balances, see official U.S. Census trade tables.)



Geo-economics 101 (2025 edition)

1) **Tariffs as leverage.** The U.S. is not alone. The European Union has locked in **definitive countervailing duties** on Chinese battery-electric vehicles (BEVs), a landmark move finalized after member-state clearance and now the subject of WTO consultations launched by China. The policy marks a defensive industrial pivot by the EU amid a flood of subsidized EVs.

2) **Export controls and “chokepoints.”** Since October 2022, the United States has repeatedly tightened controls on advanced chips and semiconductor equipment destined for China—through major rules in October 2023, April 2024, and December 2024—and continued refinements in 2025. These rules curtail access to cutting-edge compute and manufacturing tools central to AI and defense.

3) **Minerals as a counter-move.** Beijing has wielded export licensing and bans on critical inputs—gallium, germanium, graphite, selected rare-earth alloys and magnets, and antimony—as leverage in response to Western chip controls and tariffs. These measures have repeatedly rippled through electronics and EV supply chains in 2023–2025.

4) **Sanctions & price caps.** The Russia oil price cap remains the most ambitious experiment in coercive geo-economics—allowing flows while squeezing revenues—backed by stepped-up enforcement actions in 2025.

5) **Quotas & industrial policy.** China’s rare-earth quota system and corporate consolidation continue to centralize state control over “upstream chokepoints,” while Western allies fund reshoring or “friend-shoring” of chips, batteries, and critical minerals.

Case study: U.S.–India—partners, competitors, counter-parties

Trade reality check. The United States is a top destination for Indian exports; India is a key non-China sourcing option for U.S. buyers in pharmaceuticals, textiles/apparel, machinery, IT services, and gems & jewelry. Yet, 2025’s tariff architecture forces a recalculation: many Indian shipments now pay both the reciprocal tariff and, if captured by the rule, the additional 25% Russia-oil surcharge.

Policy logic. Washington’s bet is that price pressure changes behavior (on energy trade) faster than diplomacy alone. New Delhi’s counter is diversification—tightening ties with the U.S. in technology and defense, while exploiting SCO and Global South channels to preserve energy security and bargaining power.



How the toolbox is expanding (and colliding)

- **Tariffs as signals:** The White House’s July 31 tables show the reciprocal baseline by country; additional **sanctions-linked** surcharges (like India’s 25% from Aug 27) layer on top. This modular design lets Washington calibrate pressure by country and sector.
- **Tech & minerals tit-for-tat:** U.S. chip controls (2023–2025) met Chinese curbs on gallium/germanium, graphite, and rare-earth magnets. The 2025 tranche on magnets sparked warnings across autos and defense. Markets have already seen rare-earth price spikes amid supply reshuffling.
- **Europe’s industrial defense:** EU duties on Chinese BEVs signal a broader willingness to use trade defense instruments to buy time for domestic industry. Beijing, in turn, has escalated disputes at the WTO.

What this means for firms

1) **Re-price U.S. landed costs immediately.** Use the CBP bulletin and your customs broker to determine whether your Indian HS lines are subject to both the reciprocal rate and the +25% Russia-oil surcharge since Aug 27, 2025. Adjust quotes and inventory strategy accordingly.

2) **Re-map “choke-inputs.”** If you depend on gallium, germanium, graphite, rare-earth magnets, or antimony, assume intermittent licensing and tighter quotas. Build secondary suppliers in Japan, Korea, Australia, EU, Vietnam, and the U.S. where feasible.

3) Watch EU-China EV dynamics. If you sell into Europe's auto value chain, model scenarios around Chinese cost pass-through and possible Chinese counter-measures. WTO consultations indicate the issue won't fade soon.

4) Treat export controls as "living." The BIS rules on advanced compute/SME have been updated repeatedly (2023→2024→2025). Expect further refinements and entity-list moves; revisit license assumptions quarterly.

Scenarios: the next 6–12 months

- **Managed escalation:** U.S.–India trade friction persists at higher tariffs, but cooperation deepens in defense and tech; India seeks carve-outs via compliance assurances on energy flows. **Probability: High.**
- **Minerals squeeze:** China sustains tighter licensing on rare-earth magnets and related alloys; prices stay volatile as non-China refining inches forward. **Probability: Medium-High.**
- **Deal-making window:** Ahead of major leader-level engagements, Washington explores selective relaxations on chip flows (e.g., servicing legacy nodes) in exchange for de-escalation on minerals. **Probability: Medium.**



Selected sources (live, authoritative)

- CBP bulletin (Aug 27, 2025): confirms India +25% surcharge and stacking with reciprocal tariffs.
- White House tariff tables (July 31, 2025): country-by-country reciprocal rates; India 25% baseline.
- Executive Orders: EO 14257 (reciprocal tariff framework), EO 14329 (Russia-related).
- Reuters coverage: "U.S. doubles tariffs on India to as much as 50%" (context and market reaction).
- MEA India: PM's Tianjin SCO participation and meetings (official).
- Reuters (SCO): Modi's attendance; Xi/Putin context.
- EU-China EV duties: Commission announcements/WTO consultations.
- BIS/FR notices: evolving U.S. chip export controls (Oct 2023 → Apr/Dec 2024 → 2025 updates).

- China's minerals controls: Reuters roundups and explainers on gallium/germanium, graphite, rare-earth magnets, antimony (2023–2025).
- U.S. Census trade with India: reference table for bilateral goods trade.



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