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Trump 2.0's Indian Subcontinent Strategy

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Discussion Document 2026-22
Version 1.0 October 2026

US strategy in the Indian subcontinent continues to heavily rely on India as its primary anchor. However, the second Trump administration's aggressive and transactional policies are increasingly straining this strategy.

Recommended Citation:

Abhishek Kadiyala, "Trump 2.0's Indian Subcontinent Strategy", Discussion Document 2026-22, Version 1.0 October 2026, The Takshashila Institution

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Executive Summary

The second Trump administration's strategy towards the Indian subcontinent is not as clearly defined as that of the first. However, its strategy can be inferred from the administration's official statements, hearings, national security and defence strategy documents, its budget justifications, and supporting legislation. This document identifies six primary US interests in the region under Trump 2.0. It also analyses how US engagement in the subcontinent has remained consistent across security, economic and humanitarian sectors since the Biden administration. Assessing the administration's approach across these categories, this document identifies key areas where interests diverge between regional actors and the current administration. Based on this evidence, the document argues that India remains at the core of US strategy in the region. This centrality, however, faces significant and growing challenges, as the current administration's approach increasingly strains the relationship and diverges from India's interests.

Table 1: Policy Continuity and interest alignment under Trump 2.0¹

Area of Engagement	Policy Continuity (Since Biden)	Regional Interest	Why and How
Security Engagement: Counter-Terrorism	Consistent but conflicted	Partially aligned	Terrorism continues to be a lower priority for the US but has re-emerged as a priority for the subcontinent in 2025-26.
Security Engagement: Maritime Security	Consistent	Partially aligned	Priority given to maritime security remains consistent while expanding into new domains.

Area of Engagement	Policy Continuity (Since Biden)	Regional Interest	Why and How
Security Engagement: Defence Industrial Base	Consistent	Aligned	In light of overstretched supply lines, US defence manufacturing policy towards the subcontinent remains consistent with the last administration.
Economic Engagement	Inconsistent	Unaligned	Tariffs and an aggressive push for 'winning the economic future' have put economic partnership at risk.
Humanitarian Engagement	Inconsistent	Unaligned	The end of USAID and the realignment of aid towards infrastructure have severely impacted several countries.

The author would like to thank Manoj Kewalramani, Anushka Saxena, Aditya Ramanathan and Megha Sharma for their review and feedback.

1 Introduction

In August 2017, President Donald Trump became the first sitting United States President to have a formally defined "South Asia Strategy".² Largely centred around themes of counterterrorism, redevelopment of Afghanistan and competition with China, this strategy identified India as a net security provider and primary US partner in the region, while viewing Sri Lanka, Bangladesh and Nepal as potential partners. Pakistan and Afghanistan were highlighted as challenges to the US strategy in the region due to

their support of terror outfits, proximity to China, and possession of nuclear weapons (specific to Pakistan).

Fast-forward to 2025, Trump 2.0 has no formal strategy for the Indian subcontinent. However, US engagement with the Indian subcontinent has changed significantly in 2025-26 and can be studied by tracking the administration's foreign policy documents, congressional legislation, hearings and funding allocation.

Drawing on these sources, this document identifies six key interests driving American engagement in the Indian subcontinent. The subsequent analysis examines the convergences and divergences of these interests across three broad areas of US engagement, namely security, economic and humanitarian. It analyses what has changed and what has remained consistent when compared to previous administrations, and whether these changes conflict with the interests of regional actors. This analysis concludes that India, despite the significant challenges now facing the relationship, remains at the core of US strategy in the region.

Manoj Kewalramani's inputs contributed immensely in refining the core ideas and arguments of this paper.

This document uses the US State Department definition of the region called 'South Asia', and refers to it as 'Indian Subcontinent'. It discusses India, Pakistan, Bangladesh, Nepal, Maldives, Sri Lanka, and Afghanistan. The document does not discuss policies focused on Tibet or Myanmar.

AI use disclosure: Claude (Opus 5.5) was used for proofreading, citation generation, reviewing, brainstorming and identifying logical inconsistencies in this paper.

2 US Regional Interests Under Trump 2.0

The US' interests in the Indian subcontinent have shifted considerably since the strategic de-prioritisation of the region following the US withdrawal from Afghanistan in 2021. In the context of the second Trump administration, the clearest statement of these interests came in the February 12, 2026 testimony of the US Assistant Secretary of State for South and Central Asian Affairs, Paul S. Kapur, before the House Foreign Affairs Committee.

The hearing broadly highlighted six US interests in the subcontinent.

1. "Preventing a hostile power from dominating the region"

This has been a consistent interest of the US since the rise of China post 2008. However, the "hostile power" framing—instead of naming China directly—is noteworthy. This can be interpreted as a signal to regional powers like India, who enjoy a strong influence in the region but occasionally also have competing interests with the US.³

2. "Safeguarding sea lanes and ensuring a free and open Indian Ocean"

Safe sea lanes and free and open Indian Ocean have long been part of American strategic thinking. The Iran war has further underscored the significance of this, given how it has become centered on control over the Strait of Hormuz. The conflict has demonstrated the importance of open and secure sea lanes for the global economy.⁴

3. "Helping regional partners build strategic capacity"

Secretary of State Marco Rubio has stated how America First does

not mean America alone in the context of US ties with its partners.⁵ This was further confirmed by Secretary Kapur in his hearing. He discusses how this means identifying common US interests with countries of the region, and partnering with them through burden sharing and shifting as highlighted in US National Security Strategy (NSS), 2025.⁶ The core focus of this interest lies in countering China's economic coercion and alleged debt trap diplomacy in the region.⁷

4. "Strengthening ties with India through defence cooperation, trade and technology partnerships"

India occupies the largest landmass in the region, with the largest population and an unparalleled dominance of the region's strategic locations. Thereby, the US views India as core to its regional interests. By partnering with India across defence cooperation, trade and technology, Washington aims to enable India to stay free of Chinese influence, and in doing so keep most of the region free of it as well.⁸

5. Prevent the Indian Ocean, and by extension the Indian subcontinent, from becoming a strategic priority amidst competing global priorities.⁹

This approach is rooted in the administration's America First strategy, and the principles of burden sharing and burden shifting. The US has several competing priorities, ranging from the wars in Ukraine and West Asia to growing Chinese aggression in East Asia. This means that the US needs to focus on building a greater capacity in these regions as a priority. It lacks the adequate financial, military and political capital to prioritise the Indian subcontinent. The framing of India as an independent regional partner of the US that has a shared interest in countering Chinese influence is also a key evidence of this interest. This means that the US acknowledges that India has an independent interest in preventing Chinese influence in the region. In effect, this interest restates the previous one from the region's vantage point, framing India as an independent actor with its own stake in countering China rather than as a US proxy. The US would be willing to support this through defence cooperation, trade and technology partnerships. But that would primarily aim to foster better Washington-Delhi ties and not counter China directly. The attempt at enabling strategic capacity among regional partners to deter Chinese influence and coercion is also an extension to this.

6. Winning the economic future and preventing military confrontation

The US NSS, 2025 defines a key US interest in Asia as "Win the Economic Future, Prevent Military Confrontation". Washington defines its interests as achieving a favourable balance in bilateral trade, and out-competing China for market dominance across the region.¹⁰

These interests are pursued not as standalone objectives but through the enduring channels of US engagement in the region. Since the end of the Cold War, US interests in the subcontinent

have shifted, yet the areas of engagement across security, economic and humanitarian sectors have stayed consistent. The following sections examine changes across each sector under the current administration.

3 Security Engagement

Regional and international security has been the core driver of the US strategy in the Indian subcontinent since the region's decolonisation in the late 1940s.¹¹ Cold War dynamics and the conflict between India and Pakistan were at the center of US concerns in the early decades. Nuclearisation of India and Pakistan dominated America's concerns in the 1990s. That fundamentally changed after September 11, 2001, with the challenges of terrorism and subsequently the rise of China emerging as the dominating focal points for the US security strategy. As the US' strategic and economic partnership with the subcontinent deepened and US investments rose, the region's security and stability increasingly became a greater priority. To secure these interests, the US security engagement in the region has been focused on counter-terrorism, maritime security and the defence industrial base—each of which has remained largely consistent across successive administrations.

3.1 Counter-Terrorism

The US approach to terrorism under the current administration has continued the steady decline witnessed under previous administrations. Terrorism is no longer a strategic priority for the US, but continues to remain a tool of engagement. This is reflected in the financial aid and military partnership engagements that maintain functional consistency through institutions such as Congress and the US military. However, this functional engagement is politically unreliable at times of crisis.

Since the Obama administration, the region increasingly began to view terrorism as a regional or domestic challenge which required less international interference or support. This approach ensured that consistent decline in US counter-terror engagement with the region did not hurt the regional interests. However, this changed in 2025 where security re-emerged as a challenge requiring international attention and support for the region. This meant that the current administration, which had continued to lower its counter-terror engagement consistent with previous US administrations, found its interests diverging from those of the subcontinent.

US counter-terrorism engagement has gradually been deprioritised in the Indian subcontinent for nearly a decade now. Beginning under the erstwhile Obama administration, US military aid and broader support in counter-terrorism partnerships have been gradually shrinking. The first Trump administration's

South Asia Strategy focused on Afghanistan, and highlighted countering Islamist terrorism as a core US interest in the region.¹² However, this Afghanistan focus was also different from that of the previous administrations, which viewed countering transnational crime networks as the root cause of terrorism in the country. The previous administrations had engaged with partners like Pakistan through military aid, dedicated long-term programmes and other forms of support to counter terrorism.

Partnerships that currently exist in security, technology, training and intelligence areas continue to overlap with counter-terrorism but are not focused on it. This is a big change when compared to the US engagement before 2011, where dedicated counter-terrorism military aid and cooperation mechanisms, among other forms of support, were active. The end of US presence in Afghanistan in 2021 marked an important shift in the overlapping interest between the US and the regional partners on the issues of counter-terrorism and security.¹³

While Islamist terrorism became deprioritised in US strategic calculus, the same period between 2014 and 2024 also saw terrorism decline as a transnational challenge for India and Bangladesh.¹⁴ However, by 2025, Bangladesh saw a surge in Islamist radicalism while India, Afghanistan and Pakistan experienced large-scale terror attacks, thereby placing counter-terrorism among the top regional interests.¹⁵ Yet, the US deprioritisation of Islamist terrorism held firm under the second Trump administration, creating a divergence in interest.

The US National Security Strategy of 2025 became the first US NSS since the war on terror that did not explicitly discuss Islamist terrorism as a core national security challenge.¹⁶ The US strategy was redirected to state-to-state competition and confrontation. This changed briefly with the commencement of the Iran war, when the US intelligence annual threat assessment report highlighted Islamist terror as a key threat.¹⁷ However, the outcome of this conflict would determine if this remains a priority in future US threat assessments.

Despite downgrading the intensity, the US continues to use counter-terrorism partnerships, through intelligence sharing and the sale of military technology, as a tool of engagement with the subcontinent. The US also remains an active partner in curbing the financial assets of designated terror outfits and their leaders through the State Department's Foreign Terror Organization (FTO) list, the Treasury Department's Specially Designated Global Terrorist (SDGT) list and the G7's Financial Action Task Force (FATF). The US military also conducted joint counter-terrorism exercises with Bangladesh, India and Pakistan. The US and Bangladesh conducted Exercise Tiger Lightning in August 2025, followed by US-Pakistan Exercise Inspired Gambit in January 2026.

This approach is also supported by the US Congress appropriations bill that allocated over USD 1.4 billion as part of the

Defense Security Cooperation Agency's (DSCA) international security programmes that also include counter-terrorism partnership programmes.¹⁸ However, greater Congressional emphasis on countering ISIS indicates that a major portion of this funding would be directed towards West Asian partners, and not towards the Indian subcontinent. This funding, despite remaining active, has seen a strong year-on-year decline (Table 1 and Table 2).

While certain sections of the US government continue to support counter-terrorism efforts in the region, there has been a steady decline of funding programmes dedicated to countering Islamist terror. Programmes like the Coalition Support Fund (CSF), Afghan Security Forces Fund (ASFF), and the Pakistan Counterinsurgency Capability Fund (PCCF) were scrapped or phased out.¹⁹ By contrast, programmes like DSCA, Foreign Military Financing (FMF) and International Military Education and Training (IMET) were redirected towards technology, cyber capabilities and maritime domain focus.²⁰

Table 2: Counter-Terrorism aid, money committed (Obligations), USD million²¹
(Negative entries indicate money that has been redirected to other programmes.)

Country	2020	2021	2022	2023	2024	2025	Total
Afghanistan	34.81	20.59	-0.04	-0.13	-0.48	-0.09	54.67
Bangladesh	11.29	3.00	3.51	5.02	1.33	0.00	24.15
Maldives	2.47	-0.04	1.00	1.20	0.15	0.00	4.78
Pakistan	0.68	1.20	2.20	-0.75	0.75	0.00	4.08
Sri Lanka	1.89	0.00	0.00	0.00	0.00	0.00	1.89
India	1.85	0.00	0.00	0.00	0.00	0.00	1.85
Nepal	-0.14	-0.03	0.00	-0.26	0.00	0.00	-0.44
REGION TOTAL	52.85	24.72	6.68	5.08	1.75	-0.09	90.99
World total	432.2	238.2	199.3	264.7	116.9	135.1	1,386.4
Region's share of world	12.23%	10.38%	3.35%	1.92%	1.50%	-0.07%	6.56%

Table 3: Counter-Terrorism aid, money actually spent (Disbursements), USD million²²

Country	2020	2021	2022	2023	2024	2025	Total
Afghanistan	26.04	7.21	0.08	0.19	0.00	0.01	33.54
Bangladesh	11.01	1.21	0.46	1.16	0.37	0.29	14.50
Pakistan	1.39	1.06	1.55	1.14	0.03	0.24	5.41
India	1.20	0.19	0.26	0.62	0.21	0.18	2.67
Maldives	0.82	0.18	0.20	0.21	0.00	0.08	1.48
Sri Lanka	0.10	0.46	0.75	0.05	0.00	0.00	1.36
Nepal	0.00	-0.03	0.00	0.00	0.00	0.00	-0.03
REGION TOTAL	40.55	10.27	3.31	3.39	0.61	0.79	58.92
World total	346.7	157.0	357.7	406.6	417.0	398.6	2,083.6
Region's share of world	11.70%	6.54%	0.93%	0.83%	0.15%	0.20%	2.83%

This difference in interests, rhetoric and practice suggests that although counter-terrorism is deprioritised, the US continues its engagement at a structural and functional level. In doing so, the US is attempting to help regional partners build strategic capacity, while keeping the prospects of getting dragged into the region's conflicts minimal. For the region, however, this approach of the current administration has been alarming. For instance, India expected greater support from the US after the Pahalgam attack in 2025. However, soon after the attack, US-Pakistan ties seemingly improved, especially at a personal level between the top leadership. Thereby, the broader view across the subcontinent is that US counter-terrorism engagement remains functionally consistent through Congress, the US military and the bureaucratic engagements—yet politically unreliable in times of crisis and escalations. Although peacetime support through technology, training, exercises and associated funding continues, strategic support through direct financial and political backing the US once provided no longer exists. This had been the case with the last administration as well, but it is only under the current one that this issue has re-emerged as a priority for the subcontinent.

While this divergence disadvantages the entire region, for a country like India—which has adequate technological, military and financial resources—the impact is limited. This impact is invariably higher for countries like Pakistan and Bangladesh, which have been reliant on political and financial support from the US.

3.2 Maritime Security

Maritime security has remained a top priority for the US strategy in the region since the first Trump administration. While earlier it used to compete with terrorism; today, it dominates the rhetoric and is the most important regional priority for the US security engagement in the region.

The first Trump administration's South Asia Strategy largely focused on counter-terrorism, with maritime cooperation as secondary in terms of priority. However, the first Trump administration also formalised an Indo-Pacific Strategy, identifying the Indian subcontinent as part of US maritime strategy to counter China. This was primarily motivated by the growing Chinese presence in the region since the establishment of China's first overseas military base in Djibouti in 2017.²³

With the decline of terrorism as a priority, and the rise of Chinese maritime presence since the first Trump administration, the maritime domain has only risen in priority for successive US administrations.

The year 2025 saw a greater rhetorical emphasis being placed on the matter, with an increase in Chinese maritime research-cum-surveillance operations in the Western Indian Ocean region in recent years.²⁴ The expanding scope of anti-piracy task force based in Djibouti, and a gradual increase in joint naval exercises, have also become a matter of concern for Washington.

The latest addition to the increasing priority accorded to maritime interoperability has been the war in West Asia and the closure of the Strait of Hormuz. This conflict has demonstrated the severe impact that blockades can have on the global economy. Indian Ocean Region sea lanes account for nearly 46% of global trade by volume passing through three critical choke points, thereby making them essential for US interests.²⁵

Despite its growing importance, the US has maintained relatively limited capabilities in the region in terms of force deployment, dedicated logistics, and assigned area of responsibility.²⁶ This is owing to competing priorities driven by increased Chinese aggression in the South China Sea and near the Taiwan Strait. The renaming of US Indo-Pacific Command (INDOPACOM) to United States Pacific Command (USPACOM) is also considered a consequence of these competing priorities.²⁷

The West Asia conflict has further overstretched US maritime capabilities, coupled with anti-narcotic operations in the Atlantic and Pacific oceans. This means that the US needs, and expects, regional partners like India to take a greater role in maritime security in the Indian Ocean.

This expectation has been communicated repeatedly in 2025 as part of Congressional hearings, legislation and 2+2 dialogues.²⁸ A further addition has been the announcement of the Indo-Pacific Maritime Surveillance Collaboration (IPMSC) and the expansion

of the Indo-Pacific Partnership for Maritime Domain Awareness (IPMDA) in the latest Quad Foreign Ministers meeting.²⁹

For the US, the interests lie in redirecting its focus towards the Western Pacific in light of the unprecedented tensions between China and Taiwan. This is closely allied to the 'preventing military confrontations' agenda of the administration but would require partners like India to assume a greater role in the Indian Ocean, especially the Western Indian Ocean region.³⁰

Under the current administration, the US remains consistent in its support—both functionally and politically—to strengthen its maritime security engagement in the region. Beyond legislation and agreements, US military exercises point to this policy consistency. These include Exercise Tiger Shark and Exercise Tiger Triumph, 2025 with India, Exercise Malabar with Quad partners and Exercise Pacific Angel 2025 with Bangladesh—all sustained across subsequent administrations. As noted, however, competing US security priorities often limit the extent of this support.

For the developing countries of the subcontinent, this means redirecting focus from growth to greater military capability. For countries like India that have the added challenge of a volatile northern land boundary, this redirecting of focus on maritime security is lower on the order of priority. This creates a scenario where US' regional objectives, and expectation of burden sharing and shifting, diverge from the region's economic and security realities that prioritise more urgent matters.

This divergence in economic and security priorities in the maritime domain emerges as a sharper point of difference between the interests of the US and those of its regional partners. Coupled with the America First approach of burden sharing and burden shifting, these differences can create friction between the subcontinent's security realities and US interests. Even with this divergence, the US recognises India as its primary partner in the maritime domain. No other state in the region has the naval reach or the strategic location to share this burden, which keeps India central to US maritime strategy in the Indian Ocean.

3.3 Defence Industrial Base

The multiple wars in Ukraine and West Asia have highlighted the limitations of the domestic defence industrial base of the US, and have compelled it to explore alternative policy options.³¹ The development of collective defence industrial bases with partners emerged as a strong option to address this. This gained strong support during the Biden presidency, and was only furthered by the second Trump administration with growing US military involvement in West Asia. The America First logic of burden-sharing and increased defence spending by partner states has been repurposed to serve this agenda. Purchases and co-investments with partners are now explicitly tied to rebuilding

American defence capability and security, providing domestic political justification while simultaneously expanding the collective defence industrial base.³²

The Indian subcontinent and India in particular have traditionally welcomed defence partnerships, especially in joint manufacturing and production. For India, the interest lies in ending its import dependence in the defence sector. For countries like Bangladesh, Sri Lanka, Nepal and to an extent Pakistan—the ones lacking adequate resources to build a domestic defence industry—the aim is to diversify their defence imports, and reduce excessive dependence on a single player.

Before 2022, India-US defence collaboration and co-production initiatives like DTTI were stalled owing to structural and institutional hurdles.³³ These hurdles ranged from reluctance surrounding technology transfer, red-tape inefficiencies, to restrictive American legislation.³⁴ This indicates that while administrations of the past displayed interest, there was limited concern among other decision-making elements within the US like Congress, Pentagon or State departments.³⁵ The overstretched defence industrial base has seemingly changed this, pushing the US to extend production to partner states more aggressively.

This intent can be inferred from the US National Defense Strategy 2025, which briefly mentions the importance of a collective defence industrial base. It was elaborated upon in the National Defense Authorization Act (NDAA) 2026, through which Congress has directed the departments of War and State to establish an Indo-Pacific Industrial Resilience initiative—aimed at building a collective defence industrial base with US partners in the Indo-Pacific region.³⁶

The initiative pitches India as a strong potential partner state, while emphasising the role of defence manufacturing in the India-US partnership across separate sections. Countries like Bangladesh, Nepal and Sri Lanka—which lack adequate domestic defence manufacturing capabilities—find no mention in the bills.

This dimension of partnership is clearly reflected in several initiatives and joint ventures in defence manufacturing undertaken in 2025-26. Observed together, these initiatives suggest a gradual shift from pure procurement towards co-development and co-production, though most arrangements remain at the partnership or pre-contract stage.

Table 4: Joint US-India ventures in the defence sector (2025-26)³⁷

US Company	Indian Partner	Date	Focus Area	Status
Anduril Industries	Mahindra Group	Feb 2025	Autonomous Underwater Vehicles (AUVs); AI-enabled Counter-UAS ³⁸	Announced
L3Harris Technologies	Kalyani Strategic Systems Limited (KSSL)	Feb 2025	Command, Control, Communications, Intelligence, Surveillance & Reconnaissance (C4ISR) technologies and tactical communications networks ³⁹	Announced
Raytheon / Lockheed (Javelin JV)	Bharat Dynamics Ltd (BDL)	Feb 2025	Javelin ATGM joint manufacturing ⁴⁰	Negotiation
Lockheed Martin / TASL	Tata Lockheed Martin Aerostructures (TLMAL)	Dec 2025	250th C-130J empennage delivered from existing India line ⁴¹	Ongoing production
Lockheed Martin	Tata Advanced Systems Ltd (TASL)	Dec 2025	C-130J Defence MRO facility; groundbreaking Dec 8; ops from early 2027 ⁴²	Under construction
Pratt & Whitney (RTX)	AZAD Engineering, Telangana	Nov 2025	Long-term aircraft engine parts supply ⁴³	Signed

US Company	Indian Partner	Date	Focus Area	Status
GE Aerospace	HAL	Apr 2026	F414 engine co-production; ~80% ToT; new Bengaluru facility by end-2028 ⁴⁴	Deal finalised

These agreements also reflect India's centrality in this domain to the US strategy. Where the smaller states are absent from the bills, India is named as both partner and platform, which makes defence manufacturing and joint-ventures the strongest evidence of its anchor role.

It is important to note that while this policy has gradually expanded, it still faces challenges in the subcontinent. US' reluctance over technology transfer remains a key obstacle here, while the region's dependence on US rivals like China and Russia for defence imports remains a persistent friction point.

4 Economic Engagement

Economic engagement has been the most controversial aspect of US foreign policy under the second Trump administration, owing to its unprecedented tariff hikes. Their impact on overall trade value was limited, but they worked to foster bilateral mistrust and fears of excessive market dependence.

US goods trade with the region (2020-2026) has risen steadily, with the region's overall trade going from USD 150.3 billion in 2024 to USD 173.3 billion in 2025.

Table 5: US trade with the region 2020-2026 (USD Billion)⁴⁵

Country	2020	2021	2022	2023	2024	2025	2026*
India ⁴⁶	78.3	113.1	132.3	124.1	128.9	149.1	62.3
Bangladesh ⁴⁷	7.9	10.6	14.1	10.5	10.6	11.9	4.6
Pakistan ⁴⁸	6.8	8.9	9.1	6.9	7.2	8.5	3.4
Sri Lanka ⁴⁹	2.8	3.2	3.7	3.2	3.4	3.5	1.5
Nepal ⁵⁰	0.18	0.30	0.39	0.20	0.24	0.24	0.12
Region total	96.1	136.2	159.7	144.9	150.3	173.3	72.0

The biggest crisis, however, was not the loss of trade value but the uncertainty that came with the announcement of the Liberation Day tariffs on April 2, 2025.

The Indian subcontinent and ASEAN emerged as the most tariffed regions in the world, following the April 2, 2025 Liberation Day announcements. India and Bangladesh, the fastest growing economies in the subcontinent, were the hardest hit by these tariffs as the US market was key to their export strategy.

The Trump administration, ever since its first term, has been highly critical of Indian import restrictions, with President Trump referring to India as “the King of Tariffs” in 2019.⁵¹ Import restrictions in Sri Lanka and the trade deficit with Bangladesh have also attracted criticism in the US. These factors culminated on April 2, 2025 when the Trump administration levied one of the highest tariff rates upon the region.⁵²

4.1 Pakistan

Pakistan, which was tariffed at 29%, was among the first countries to settle rates at 19% in exchange for joint exploration of potential oil reserves within its boundaries.⁵³ The US and Pakistan also signed a critical minerals MoU.⁵⁴ This relatively quick agreement has been widely read as a pressure tactic by the administration against India. The deals themselves have few institutional, financial or technical mechanisms for implementation. Similarly, the US has limited strategic scope to economically engage with Pakistan in the long-term.⁵⁵ However, the deals offer an initial investment of USD 1.25 billion from the US government in critical mineral mining, which comes as a welcome relief for Pakistan considering its current economic crisis.⁵⁶ Pakistan's role in mediating the West Asia conflict has only furthered this partnership. It is important to note here, though, that this partnership is extensively based on personal ties between President Donald Trump and Field Marshal Asim Munir. Meanwhile, institutional mistrust towards Pakistan still prevails in Washington and continues to dominate the ties.⁵⁷

4.2 Bangladesh

The last deal in this direction came from Bangladesh, which was tariffed at 37% and agreed to a 19% tariff rate, with specific exceptions for the garment industry that placed it in the 0% tariff bracket. However, the comparative edge that the Bangladeshi textile industry gained through this deal is said to have been offset by the clause requiring US-sourced fabric and cotton for textile production.⁵⁸

4.3 Sri Lanka

Despite not pushing for an immediate agreement, Sri Lanka, which was tariffed at 44%, has also emerged as a key model for the America First foreign trade goals of the current administration. This is primarily achieved through a drastic increase in soybean imports from the US. Sri Lankan soy imports from the US rose 30% in 2024, and a further 66% in 2025.⁵⁹ This has been at the core of US' engagement with Sri Lanka in 2025, as its dependence on American soy deepens.

4.4 India

For India, which was initially tariffed at 26%, the tariff hikes hit specific segments of the primary sector the hardest, as the negotiations took place at an unexpectedly slow pace. The India-Pakistan conflict—followed by a diplomatic dispute in which India opposed the US' mediation claims—is said to have delayed the deal further, which was set to be signed in July 2025. India's continued import of Russian oil also came into question that led to a 25% hike, thereby bringing the overall tariffs to nearly 50% by mid-2025—ranked highest in the region.

India signed an interim agreement in February 2026 that set its tariffs at 18%, as the negotiations over a permanent agreement continue. Despite the tariffs, the overall value of trade in goods continued to grow from the previous year.⁶⁰ This growth was also accompanied by several trade agreements and deals signed between the countries across defence, energy, and technology sectors.

The first of such agreements in 2025 was the COMPACT or Catalyzing Opportunities for Military Partnership, Accelerated Commerce & Technology agreement.⁶¹ Signed in February, this addition to the India-US relations will be funded through the America First Opportunity Fund (A1OF) in the administration's budget justification, and was passed in the Consolidated Appropriation Act FY 2026.⁶² This USD 850 million fund will act as an investment to further US relations with critical partners like India, among others.

Another key component of India-US ties in 2025 has been the push for further cooperation in the nuclear energy sector with the formation of the United States-India Strategic Security Dialogue. Passed as part of the National Defense Authorization Act 2026, this bill aims to coordinate the implementation of the 2008 India-US civil-nuclear deal.⁶³ To that end, the immediate goals of this dialogue are to address India's strict liability clauses, and work towards joint India-US investments in the nuclear energy sector across different developing countries.

On 18 December, 2025, nearly a week after the signing of NDAA, India passed the Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India (SHANTI) Act 2025.⁶⁴ This

act addressed the rigid liability clauses by downgrading supplier liability, an enduring issue in India-US ties. It shifted responsibility to operators alone, and replaced the single uniform tier with a graded system. This act also opens the nuclear sector for private sector participation and joint venture foreign investment. Despite not being pitched as a diplomatic win, this alignment in nuclear energy policy, whether coordinated or convergent, widens the scope for joint investment and energy partnership in the future.

Broadly, the US focus on “winning the economic future” by gaining greater market access in the region is clearly reflected in the Trump administration's recent actions. This has damaged the trust between the countries of the region and the US, rendering the future of the economic partnerships uncertain.

The passage of the Lindsey O. Graham Russia and Iran Sanctions Bill has only exacerbated this situation. India's import of Russian oil was accepted by the Biden administration as a strategy to limit the global energy price hikes after the Ukraine war began. This made the issue a core point of cooperation and shared interest. However, this changed under Trump 2.0. Increasingly, both the Democrats and Republicans began viewing growing Russian aggression as a core threat to US interests, countering which trumps global energy price stability. This led to the overwhelming bipartisan support that this bill received in both chambers.

The bill provides the administration a legally sustainable tool to impose tariffs on top Russian energy importers. India appears to be particularly vulnerable among all the target states, owing to its dependence on the US market, capital and technology, the lack of substantive leverage like China, and inability to secure exemptions or waivers like Japan or South Korea. The direct references made to India by Senator Richard Blumenthal only made the US intentions clear.⁶⁵ The bill has demonstrated that both the administration and Congress are willing to stake their relations with India when it comes into conflict with their more immediate priorities. This further confirms how India and by extension, the subcontinent are low on the priority list for the current leadership in the US. For India, and others in the subcontinent this therefore is an important development that highlights the growing divergence of interests in trade.

5 Humanitarian Engagement

The Indian subcontinent has seen a gradual reduction in dependence on US foreign aid since the end of the Cold War. However, various countries in the region still rely heavily on foreign aid to combat sector-specific challenges. Historically, a majority of the humanitarian aid meant for the Indian subcontinent was directed towards Afghanistan and Pakistan, with a portion of developmental and disaster relief aid being directed towards Sri Lanka, Nepal, India and Bangladesh. This humanitarian

engagement has been led by the United States Agency for International Development (USAID) since its inception in 1961.

Table 6: All-agency obligations (total US foreign assistance) to the region, FY 2020 - FY 2025 (USD million)⁶⁶

Country	2020	2021	2022	2023	2024	2025	Total	Total %
Bangladesh ⁶⁷	576.6	508.0	468.6	490.1	572.5	321.4	2,934.3	0.70%
Nepal ⁶⁸	126.1	182.2	176.1	696.2	212.1	56.3	1,448.9	0.35%
Pakistan ⁶⁹	200.4	188.4	190.3	169.9	169.1	185.7	1,103.8	0.26%
India ⁷⁰	161.4	317.5	152.5	154.5	165.6	104.0	1,055.5	0.25%
Sri Lanka ⁷¹	88.0	61.7	135.4	115.8	121.2	25.9	548.1	0.13%
Afghanistan ⁷²	201.8	1,406.3	1,389.0	886.5	755.0	-8.78	8,430.0	2.02%
Region Total	5,151.4	2,664.0	2,511.9	2,513.0	1,995.6	684.6	15,520	3.71%

Table 7: All-agency disbursements (total US foreign assistance actually spent), FY2020-FY2025 (USD million)⁷³

Country	2020	2021	2022	2023	2024	2025	Total	Total %
Afghanistan ⁷⁴	1,765.2	1,030.4	1,866.1	1,273.6	658.9	431.4	9,025.6	2.44%
Bangladesh ⁷⁵	398.3	421.9	535.9	554.5	485.3	391.1	2,787.0	0.75%
Pakistan	374.7	255.0	232.8	278.9	243.4	98.1	1,482.8	0.40%
Nepal	138.5	172.1	206.0	146.9	181.6	210.7	1,055.8	0.29%
India	111.2	110.2	251.4	201.6	182.0	119.4	975.8	0.26%
Sri Lanka	45.2	78.8	83.4	152.5	97.1	92.0	549.1	0.15%
Region total	4,833.1	2,068.4	3,175.6	2,608.0	1,848.3	1,342.7	15,876	4.29%

Under the second Trump administration, US foreign aid programmes have been severely restricted as part of the administration's spending cuts under the Department of Government Efficiency (DOGE). The administration has reduced the operational strength of USAID by 94%, while restricting its spending by 50%, which is expected to be reduced even further in 2026.⁷⁴ In terms of programmes, nearly 83% of USAID programmes were cancelled, with over 90% of contracts being terminated.⁷⁵ In the Indian subcontinent, Bangladesh and Nepal

have been among the most severely affected, with the aid cuts ranging up to 84%.⁷⁶

A majority of this aid focused on healthcare, women's rights advocacy, democratic rights and refugee support, among others. In Bangladesh, the aid cuts have affected at least 600,000 people, especially in the healthcare sector, with the abrupt termination of aid focused on reproductive health and tuberculosis.⁷⁷ Reports also highlight a spike in child labour and child prostitution rates among refugees resulting from these aid cuts.⁷⁸ Coupled with growing domestic tensions and instability within Bangladesh during this period, the cut to USAID funding is expected to have several second-order implications. The State Department budget attempted to address this by continuing aid to the Rohingya refugee camps, which were hit hard by the 2025 cuts and rely extensively on US foreign aid.⁷⁹

Nepal experienced a nearly 100% end to US foreign aid in the healthcare and development sector.⁸⁰ This was expected to severely impact the HIV campaign in the country and result in a rise in cases. The impact on government support programmes was also expected to be severe, especially considering the recent protests in the country. Similarly, in Afghanistan and Pakistan, the end of USAID programmes has led to worsening food shortages, and declining healthcare access and women's rights.

The Trump administration, however, has retained some of these programmes by embedding them directly within the purview of the State Department. In Nepal, the Trump administration has resumed the USD 500 million Millennium Challenge Corporation (MCC), aimed at developing power transmission and road infrastructure within Nepal and between Nepal and India.⁸¹ This will continue even in FY 2026, as mentioned in the State Department Appropriations Act for 2026.⁸² A portion of aid was also allocated to India and Nepal, earmarked for aiding the Tibetan refugee population in the countries.

For Sri Lanka, Pakistan, Bangladesh and Afghanistan, the aid has been conditional upon the countries adhering to liberal-democratic values. Under the Trump administration, this conditionality on democratic values has visibly declined in rhetoric but remains in practice, via institutions such as the US Congress and the State Department.

In Sri Lanka, the US foreign aid is directed towards the conventional weapons destruction, healthcare, democracy and other developmental programmes. This has, however, been made conditional upon the human rights record—especially in relation to the treatment of ethnic minorities (Sri Lankan Tamils) from regions recovering from conflict.

The appropriations act also limits funding for economic and security assistance to Afghanistan and Pakistan, and requires a notification to Congress before they can be spent. US foreign aid to these countries is still active, through a USD 33 million fund

for Pakistan and, for Afghanistan, under the Special Inspector General for Afghanistan Reconstruction.⁸³ However, for Pakistan, the aid is conditioned upon the release of Dr Shakil Afridi, who played a vital role in supporting the US forces in eliminating Osama Bin Laden in 2011. Funding provided to Pakistan under the Pakistan Counterinsurgency Capability Fund of the DSCA has also continued to be diluted under this act. The areas of aid allocation have remained similar to previous years, though with an overall decline in the amounts following the end of USAID. This is an important observation, considering the speculation surrounding a renewal of US-Pakistan ties following the India-US disturbances in 2025. For Afghanistan, any funding directed towards the Taliban is prohibited, with the majority of the funding focused on the education and health of women and girls.

The overall State Department aid strategy in the subcontinent is also influenced by China's response to the discontinuation of USAID by the second Trump administration. After the USAID cuts, there was speculation among Trump critics regarding China replacing the US as primary aid partner in developing countries.⁸⁴ However, China, especially in the Indian subcontinent, did not attempt to capture the void left by USAID funding cuts.⁸⁵ China instead sought to continue its infrastructural programmes and investment in the region, and avoided the social sector expansion. This lack of Chinese interest can also explain why the US Congress was comfortable in aligning with the administration in limiting the budget allocations for foreign aid projects in the social-sector.

Additionally, the budget has not only defunded USAID and limited direct aid, but has redirected State Department funds of USD 850 million to AIOF, a programme India is mentioned to be a core partner in.⁸⁶

The second Trump administration's aid revocation and approval have been based on the America First Foreign Assistance in the Indo-Pacific approach.⁸⁷ This approach focuses on infrastructure, security and commercial projects rather than purely humanitarian ones. Through it, the US aims to counter China while also benefiting US corporations. For countries that have consistently relied on US humanitarian aid, however, this marks a severe setback—endangering millions of lives throughout the subcontinent.

India, by contrast, gains from this redesign. The aid model now favours infrastructure and commercial projects over relief, with India established as a named AIOF partner and as the hub to which the renewed Nepal MCC will connect to. Even in the domain where US engagement has been most damaging for the region, the redesign works to strengthen India's position.

6 India: The Anchor Under Strain

Strengthening ties with India through defence cooperation, trade and technology partnerships is a stated interest of the US, as confirmed by Assistant Secretary of State Paul S. Kapur in his Congressional testimony. The primary reason stated for this was India's stakeholder advantage in the region, owing to its massive landmass and population size. Coupled with its geostrategic positioning, political will to counter China, strong military, and growing economy, India forms the core of US engagement in the region.

At the same time it is also true that the US—especially under the current administration—has acted contrary to many of these interests. The US is actively trying to further its ties with smaller states in the region, especially those that are under threat from growing Chinese influence. Countries like Nepal, Maldives and Sri Lanka have been receiving increased attention from the US consistently since the Biden administration.⁸⁸

There have been concerns that the US' regional actions are coming into conflict with India's interests, thereby, positioning the US as India's 'regional rival'.⁸⁹ Beginning with the Biden administration's support for the Younis regime in Bangladesh, they continued under the current administration's attempts to engage with Nepal through high-level official visits, and its active support for anti-Junta forces in Myanmar. The most important point of this unease is US engagement with Pakistan, which was viewed as detrimental to India. These actions, while posing no immediate risks, present a long-term challenge not only for India but also for the regional stability as a whole. The current administration's regional focus has also been repeatedly constrained by competing international priorities such as China, Ukraine and the Iran war. Its "America First" measures on tariffs and foreign aid cuts have only worsened relations with the region.

In economic and humanitarian terms, US ties with Bangladesh, Sri Lanka and Nepal have been tense. Despite seemingly improving ties with Pakistan, the relationship has been described as transactional and tactical, with deep rooted institutional mistrust still prevailing among US institutions towards Pakistan.⁹⁰

India was given initial priority in rhetoric, but the diplomatic crisis after the Liberation Day tariffs, reforms to the H-1B visa system, deportations and Trump's response to Operation Sindoor have impacted trust considerably. While the US Congress and Departments of State and War initially were vital in insulating the areas of partnership in these times of crisis, the same cannot be said about the administration.

This dynamic runs across the US security engagement, from the decline of counter-terrorism as a priority, to greater burden-sharing expectations in maritime security, to technology-transfer frictions in defence-industrial partnerships.

In counter-terrorism, India's dependence on the US is relatively less than other states in the region. India's interest lies in the financial and legal mechanisms the US commands to combat terror, which translate into political and financial pressure. In maritime security, India, despite its competing security priorities, is still the biggest US partner in the region. In defence manufacturing, India offers the human resources and land required for co-production. Documents like the NDAA 2026 show that the US views India not merely as a partner but as a platform for joint ventures across the region—spanning defence exports, infrastructure and nuclear energy.⁹¹ These factors give India a relative advantage despite frictions in interest.

In terms of economic engagement, India is the largest US trade partner in the region. India is also, by far, the country facing the lowest tariffs in the region. While the negotiations over a finalised trade deal are still ongoing, India's enormous market, stable political and legal systems offer the US an important opportunity. This also creates a challenge wherein India's domestic priorities and political realities are in direct conflict with America First trade strategies.

Given India's stakeholder advantage, the US realises that it will not be able to achieve its primary interest of 'winning the economic future' without strong trade ties and market access in India.⁹² This garners the attention of the US business community and other decision makers in the US, who have an interest in keeping the relationship stable. Therefore, despite the strain in trade negotiations and the uncertainty over a deal, this shared interest continues to anchor the relationship. However, this thread is fraying, as evident by the bipartisan support for the Russia Sanctions bill. The administration's careless rhetoric, and reactionary policies towards India, coupled with indifference and occasional support from other institutions have resulted in public and political backlash in India. This only makes any kind of compromise politically difficult to achieve.

In humanitarian engagement, the US has proven to be actively working towards strengthening India's role in the region. Renewal of the USD 500 million MCC is among the biggest examples, as this connects critical Nepalese infrastructure with Indian projects. US-India partnerships also extend to joint disaster response across the region.

Across all five domains, there is a common pattern. Where engagement with the smaller states is conditional and transactional, US engagement with India is structural and expanding despite the frictions, challenges and competing interests at times.

These competing interests, challenges and frictions, however, remain a clear destabilising factor to the already oscillating India-US ties, and this strain is reflecting in public opinion. In India, the US favourability rating—which was near 60% in 2019—dropped to 45% by 2026. This decline is region-wide—with

US favourability in Sri Lanka at 42%, in Bangladesh at 26% and Pakistan at a mere 15% by 2026.⁹³

Partly in response to its unstable ties with the US under the current administration, India has also moved to expand its ties with countries like China. It continues to economically and politically cooperate with Russia, while remaining active in blocs such as the Shanghai Cooperation Organisation (SCO) and BRICS. Taken together, these responses highlight Delhi's displeasure. India's growing dissatisfaction, and the unpopularity of the current US approach among Indians, sets real limits on how far Washington can press New Delhi and by extension, its influence on the Indian subcontinent.

As US-China competition intensifies, India is positioned to remain the primary anchor of US policy in the region—a position that is driven less by sentiment than by strategic circumstances. For India, as a rising economy, US support offers an opportunity to out-compete China. Similarly, for the US, India taking the lead in the region is vital to balancing it against other, more immediate US priorities. The diverging interests however pose a serious challenge for this partnership to continue. While these divergences don't make India-US regional rivals immediately, the trajectory of uncertain and inconsistent US actions under the current administration is only worsening these ties, as other stakeholders and US institutions struggle to stabilise the situation. For India, its ties with the US are important, but the domestic political and economic costs of these ties are increasingly outweighing its benefits.

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