500% Tariffs on India? Russia Sanctions Bill, Impact on India

February 2, 2026 • vajiramandravi.com

The **U.S. Sanctioning Russia Act 2025** recently cleared a major procedural hurdle and could authorize **tariffs of up to 500% on imports from countries that continue to buy Russian oil**, including India, China and Brazil, as part of efforts to tighten economic pressure on Moscow amid the Ukraine war.

India has historically sourced **around 35-40% of its crude from Russia** at steep discounts, and Washington has already doubled tariffs on Indian exports to **50% in 2025** over those purchases.

Sanctioning Russia Act 2025 Background and Provisions

The **Sanctioning Russia Act 2025** is a bipartisan legislative initiative of the United States aimed at intensifying economic pressure on Russia amid the ongoing Ukraine conflict. The bill seeks to restrict Russia's revenue streams, particularly from energy exports, which remain a major source of funding for its war efforts.

Provisions of the bill include:

- Authorization to impose **extreme punitive tariffs** on countries importing Russian crude oil, gas, and petroleum products.

- Expansion of **secondary sanctions**, penalizing third-party nations rather than Russia alone.
- Increased executive powers to enforce trade restrictions without lengthy congressional approvals.
- Strategic objective of isolating Russia economically by disrupting its global energy trade network.

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Implications for India-U.S. Trade and Economic Relations

India-U.S. trade relations have grown steadily, with the U.S. being one of India's largest export destinations. However, the threat of 500% tariffs introduces serious uncertainty into this partnership. Economic implications for India include:

- Reduced competitiveness of Indian exports in the U.S. market.
- Potential impact on key sectors such as textiles, pharmaceuticals, engineering goods, and gems & jewellery.
- Disruption of long-term trade contracts and investor confidence.

India's Energy Security and Dependence on Russian Crude Oil

India's growing energy demand makes affordable and stable oil supplies a national priority. Russian crude has played a crucial role in this context, particularly due to discounted prices following Western sanctions.

Reasons for India's continued oil imports from Russia:

- Cost advantage helping control domestic inflation.
- Energy diversification to reduce dependence on West Asian suppliers.
- Long-term supply security amid global market volatility.

Challenges arising from sanctions pressure:

- Risk of higher fuel prices if Russian imports are curtailed.
- Increased import bill affecting fiscal stability.
- Difficulty in rapidly shifting to alternative suppliers without price shocks.

Geopolitical Dimensions

The proposed tariffs place India at the center of a broader geopolitical dilemma. As a country committed to strategic autonomy, India has traditionally avoided aligning fully with any single power bloc.

Key geopolitical considerations include:

- Balancing relations with the U.S., Russia, and other global partners.
- Resisting external pressure that undermines sovereign decision-making.
- Preserving independent foreign policy choices in a multipolar world.

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Way Forward

- Pursue sustained diplomatic negotiations with the U.S. to seek exemptions or phased implementation, highlighting that India currently imports over **85% of its crude oil** and requires affordable supplies to manage inflation and growth.
- Reduce over-dependence on Russian crude, which has accounted for **around 35–40% of India’s oil imports at peak levels**, by gradually increasing sourcing from West Asia, Africa, and the Americas.
- Strengthen strategic petroleum reserves and buffering mechanisms, as a sudden shift away from discounted Russian oil could raise India’s annual import bill by **USD 9–11 billion**, impacting the fiscal balance.
- Accelerate renewable energy expansion and alternative fuels, given India’s commitment to achieve **500 GW of non-fossil fuel capacity by 2030**, reducing long-term exposure to geopolitical energy shocks.

Source: https://vajiramandravi.com/current-affairs/500-precent-tariffs-on-india/