

India Pauses Multi-Billion Dollar US Defense Deal Amid Tariff Tensions



India has officially paused a major defense acquisition from the United States, placing a deal for six additional P-8I maritime surveillance aircraft on hold. The decision, which comes amidst escalating trade tensions and a new 50% tariff imposed by the US on Indian exports, is prompting a broader reevaluation of other high-value defense contracts. The move by India's Ministry of Defence signals a strong response to Washington's economic pressure and highlights the nation's push for strategic autonomy and domestic defense manufacturing.

The procurement, which was initially approved by the U.S. State Department in 2021 saw its price tag soar, reportedly reaching \$3.6 billion. This significant cost increase is said to be partly driven by the new 25% U.S. tariff on Indian exports, which, when combined with an existing 25% duty, now totals a 50% levy on a wide range of goods. This tariff hike directly impacts the cost of Indian-made components and parts used in the assembly of the aircraft by Boeing, with the increased expense ultimately passed on to the buyer, which is the Indian government.

The P-8I aircraft, a crucial asset for the Indian Navy, is used for anti-submarine warfare, surveillance, and reconnaissance across the Indian Ocean Region. India already operates a fleet of 12 P-8Is, and the additional six were considered vital for maintaining robust surveillance capabilities, particularly in light of increased Chinese naval activity in the region. However, the price increase and the surrounding trade dispute have led India to rethink its procurement strategy, with officials exploring indigenous alternatives and reviewing other ongoing defense deals.

This pause reflects a broader strategic shift as India balances its geopolitical relationships with its own economic and defense interests. While the deal has not been definitively canceled, the reevaluation signals a new phase in the U.S.-India partnership, where economic policy is now directly impacting defense cooperation. The situation underscores India's growing resolve to prioritize its "Make in India" initiative and its goal of becoming self-reliant in defense production.