



Transactional Tensions: The 2025 Test of U.S.–India Relations

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TRANSACTIONAL TENSIONS: THE 2025 TEST OF U.S.–INDIA RELATIONS

2025 represented the first true stress test of India's multi-alignment foreign policy: U.S.–India relations visibly deteriorated, while India sought to signal the extent of its room to maneuver by emphasizing its ties with China and Russia. Both sides contributed to the tensions: The Americans through a short-term, transactional logic, and the Indians through overconfidence rooted in the Modi–Trump nexus. Beyond the symbolic display, however, the China–Russia axis offers no genuine alternative for India, which will likely need to recalibrate its strategy toward the second Trump administration. At the same time, the United States would be wise to seek to avoid such counterproductive conflicts. Although no substitute exists for the American strategic partnership from India's perspective, the situation nonetheless presents opportunities for European actors, including Hungary.

INTRODUCTION

2025 marked the first acute stress test of India's [multi-alignment policy](#), as global attention focused both on the [conflict with Pakistan](#) and the [state of U.S.–India relations](#). The events of the year made it clear that both sides contributed to the emerging tensions: The Americans prioritized a short-term, transactional diplomatic logic and personalized decision-making channels, while the Indian leadership relied with perhaps excessive confidence on the [supposedly great](#) personal relationship between Modi and Trump and on India's strategic significance.

While India sought to normalize its strained relations with China and to signal the breadth of its options through [more active participation](#)

in the Shanghai Cooperation Organization, in practice these avenues offered no genuine alternative to the American partnership. As the weaker party, India will likely need to recalibrate its foreign policy approach, while it would be prudent for the United States to avoid creating counterproductive conflicts. Although the U.S. strategic role cannot be fully replaced from India's perspective, the unfolding situation also presents opportunities for European actors: The [European Union](#) and individual countries, including Hungary, could, through appropriate strategic measures, enhance their market and geopolitical influence within regional dynamics.

The following analysis first examines India's perspective, exploring the country's strategic calculations and the limits of its confidence rooted in the Modi-Trump nexus. It then analyzes the U.S. approach and American behavior, with particular attention to the diplomatic dynamics surrounding the [Pahalgam terrorist attack](#), [Operation Sindoor](#), and the [2025 U.S.-India trade negotiations](#). Finally, it considers India's multi-alignment strategy and the potential roles of European and Hungarian actors, concluding with practical policy recommendations.

INDIA'S APPROACH: JUST TOO MUCH CONFIDENCE

At the outset of 2025, India's foreign policy calculations largely followed the established trajectory of its multi-alignment strategy from preceding years, with certain adjustments calibrated to the newly inaugurated second Trump administration. Yet, it soon became very clear that this strategy requires significant adjustment.

India's long-term objective has for long been to maintain influence as a strong regional and global actor, while leveraging shifts in the relative weight of major powers. Central to this approach was the [relationship with the United States](#), to which Modi and the Indian leadership attached [particular importance](#). India was virtually unique in its optimism regarding Trump: [The government](#) and much of the [politically engaged public](#) were highly confident about the prospects of bilateral relations, in contrast

to the pessimistic assessments prevalent in Europe, Japan, South Korea, or Canada. This confidence rested both on strategic calculations and on the personal rapport between Modi and Trump.

Strategically, this confidence derived from the belief that India's size, growth trajectory, and geostrategic position vis-à-vis China [automatically entitled](#) it to technological transfers and market access from the United States, [without providing reciprocal commitments](#). India has always maintained pragmatic limits: It has traditionally been cautious about undertaking concrete security commitments within the Quad, a grouping comprising India, Japan, Australia, and the United States, prioritizing its own strategic interests over ideological or rhetorical obligations.

Nevertheless, the [strengthening of U.S.–India relations](#) had been continuous through the Bush, Obama, first Trump, and Biden administrations, with the Chinese factor emerging as the explicit foundation of strategic cooperation during Trump's first term. The narrative of a “natural partnership” between the world's largest democracy and the world's oldest has been a persistent feature of diplomatic rhetoric, but in practice bilateral dynamics have always been dictated by shared strategic interests rather than historical or civilizational narratives—a “reluctant friendship” that U.S. administrations long tolerated with strategic patience.

Beyond these strategic considerations, optimistic calculations were reinforced by the Modi–Trump personal nexus: frequent high-level meetings such as the [“Howdy Modi” and “Namaste Trump” events](#) and the ideological resonance between Trump's right-wing MAGA movement and Modi's Hindu nationalist agenda. Building on this foundation, Modi was among the first foreign leaders to [visit Washington](#), bringing with him substantial symbolic trade concessions intended to cement personal trust and India's weight on the geopolitical stage.

THE AMERICAN APPROACH: MAXIMALIST SHORT-TERMISM

India's self-confidence, as outlined above, was nevertheless exaggerated and partly based on miscalculations. The second Trump administration diverged from the consensus of its predecessors, including the foreign policy decision-makers of Trump 1.0, both in its general assessment of global trade, international institutions, and alliance structures and in its views on the importance and desired scope of the U.S.–India strategic partnership.

The U.S. approach toward India in 2025 reflected the Trump administration's [immediatist](#), [transactional](#) diplomatic and trade logic. In the administration's view, America could no longer afford the [“strategic generosity”](#) it had historically extended to partners and allies: Providing favorable trade terms or military guarantees in other regions while India maintained high tariffs was simply unsustainable over the long term. Whether one judges this perspective as right or wrong, it is a factual statement that the Trump administration was primarily motivated by balancing the U.S. trade account, rebuilding domestic industry, and satisfying its domestic political base—priorities that took precedence over longer-term, difficult-to-measure strategic considerations.

This approach manifested itself across multiple domains. The accelerated pace of trade negotiations, the use of “hard deadlines,” and the imposition of a [50 percent tariff](#) as a punishment for insufficient trade concessions and continued Russian energy imports all demonstrated the administration's logic: Short-term economic pressure serves as a tool to shape partner behavior, whether to extract more favorable trade terms or to support Trump's self-envisioned international peacemaking role (in India's case vis-à-vis Ukraine and Russia). Concessions that would have been considered substantial in any prior negotiation were, in the eyes of the immediacy- and maximal-concession-demanding Trump, insufficient, triggering retaliatory measures.

The consequences of American tactics were felt not only in economic relations but also in the political and security realms. Trump's aforementioned “peace broker” role in the India–Pakistan conflict led to [diplomatic maneuvers](#) that were politically difficult for the Modi

government to manage domestically. Trump and members of his administration continue to assert that U.S. mediation produced the May 10 ceasefire between India and Pakistan, further claiming that Trump secured it by threatening economic sanctions on both sides. While intended as peacemaking, this approach placed the Indian leadership in an uncomfortable position. India has long adhered to a strict principle of [rejecting third-party mediation](#) toward a weaker adversary like Pakistan and rejects the [“hyphenation” of the two countries](#) into one single set of problems. While Pakistani leaders skillfully aligned with Trump’s peace broker narrative—going so far as to nominate him for a Nobel Peace Prize—India’s persistent resistance to the narrative strained the personal rapport between Modi and Trump.

India responded with what can be described as “strategic calm” and [firm resolve](#): It refused additional trade concessions, maintained a symbolic stand-off over tariffs, and emphasized national interests, signaling the government’s intent to preserve its negotiating position in the face of short-term U.S. pressure. Between June and August, both sides repeatedly stated that an agreement remained the goal, but neither budged on its position. By late August and early September, general pessimism had taken hold. Yet, by early September, signs emerged that the trade negotiations were not entirely dead, and both sides harbored some hope of salvaging the relationship. On September 17, President Trump called his [“good friend”](#) Narendra Modi to wish him a happy birthday, and on September 22, India’s Minister of Commerce and Industry Piyush Goyal [was in Washington](#) to discuss reviving trade talks. What drove these cautious gestures from both sides?

ALTERNATIVE PARTNERSHIPS AND THE LIMITS OF INDIA’S MULTI-ALIGNMENT

The tensions of 2025 highlighted that multi-alignment remains a central reflex in India’s strategic approach. Yet the year’s developments also underscore the limits of this policy. While India’s responses to increasingly unfriendly U.S. behavior were visible and assertive, it remains uncertain whether

these measures could constitute a genuine alternative to the American partnership.

In late August and early September, India's leadership primarily sought to [signal greater room for maneuver](#) in the international arena by promoting the normalization of relations with China, which hit a low point between 2020 and 2024 but have been cautiously thawing since the end of 2024, and by engaging more actively with the Shanghai Cooperation Organization (SCO). Prime Minister Narendra Modi's visit to Tianjin from August 31 to September 1 marked his first time in China in seven years and first time attending an SCO summit since 2022. During the trip, he elaborately [demonstrated cordial ties](#) with both Russian President Vladimir Putin and Chinese President Xi Jinping.

In practice, however, these options offer [no real substitute](#) for the U.S. partnership. While Washington's unfriendly posture increases the likelihood of Beijing seeking to engage India, there remain nearly immovable obstacles to genuine strategic trust: the close military, economic, and political ties between [China and Pakistan](#); the ongoing China–India border dispute; and mutual concerns over the growth of each other's naval and broader regional footprints. Russia, traditionally close to India but increasingly dependent on China, cannot reliably counterbalance Beijing.

From a European—and Hungarian—perspective, the situation does offer opportunities. As a secondary but significant economic and political partner, the European Union can leverage India's current posture to strengthen its negotiating position: By improving market access, accelerating investments, and promoting technological cooperation, regional actors—including Hungary—can enhance both influence and market presence. EU delegations must carefully study the concessions offered by India and its red lines in negotiations with the United States to secure the largest possible trade gains acceptable to India in their own [EU–India free trade negotiation process](#).

For India, there is untapped potential, as European partners bring markets with income levels comparable to those of the United States, as well as sophisticated technological and [defense industrial capabilities](#).

Yet the EU cannot fully substitute for the United States: The partnership is constrained by India's close ties to Russia and by the fact that, while the EU views Beijing as a systemic rival, it does not perceive China as a direct security threat. India thus continues to rely on economic, technological, and security cooperation with the United States to offset its economic and military lag vis-à-vis China and maintain the regional security equilibrium.

India's multi-alignment policy is therefore simultaneously demonstrative and pragmatic. While strengthening ties with China, Russia, Europe, and other regional actors provides space for diplomatic maneuvering, this flexibility remains limited without the strategic advantages afforded by the U.S.–India strategic relationship—it is therefore unlikely India would ultimately choose to abandon its ties with the United States. The 2025 damage will in some ways be more indirect, materializing through an increasingly low limit on the level of trust in U.S.–India relations. For European and Hungarian actors, this underscores the need to adopt targeted, pragmatic strategies aligned with India's foreign policy priorities: exploiting market and technological opportunities while remaining aware of India's limited willingness to cooperate and of the long-term primacy of U.S.–India relations, even if the events of 2025 have inflicted lasting damage on the partnership.

CONCLUSION

The bilateral tensions in 2025 arose from the interaction between American short-term pragmatism and India's excessive confidence. From the U.S. perspective, its strategy functioned according to its internal logic: applying pressure, dictating the pace of negotiations, and attempting to shape partner behavior in the short term. For India, however, the lack of mutual respect and long-term strategic commitment presents ongoing challenges to maintaining stable and balanced relations.

At the same time, the trade negotiations, diplomatic maneuvering related to the Pakistan conflict, and India's opening toward the SCO have

demonstrated that India's leadership strives to preserve its negotiating position, even at the cost of short-term economic or political risks. The combination of strategic confidence and multi-alignment ambitions followed a clear logic: India's primary objective was to safeguard its global weight in the long term and avoid conceding too much to the United States. Initiatives such as normalizing relations with China, reaching out toward Russia, and negotiating a free trade agreement with the EU, while beneficial, cannot substitute for U.S. economic, technological, and strategic cooperation. The episode offers important lessons for both sides. As the weaker party, India will likely need to adjust its approach. As the stronger party, the United States would be prudent to avoid fully provoking counterproductive clashes with a key Indo-Pacific strategic partner. Maximizing short-term trade gains falls far short of offsetting the potential long-term damage to the partnership. Excessive pressure, rapid personalized mediation, or involvement in politically sensitive matters can destabilize the previously constructed strategic collaboration and impede the achievement of U.S. economic and security objectives.

Even if India makes further concessions and the strategic partnership endures, a decline in trust could significantly hamper cooperation over the long term, as tactical concessions and symbolic gestures no longer automatically guarantee a constructive relationship. This means that while India must refine its strategy, it will continue to weigh partnership—especially in the realms of trade and security—extremely cautiously.

From the Hungarian and Central European perspectives, the situation offers pragmatic opportunities. The EU—and Hungary—can leverage cooperation aligned with India's economic and technological priorities: targeted investments, technological partnerships, and strengthening regional market presence could enhance geopolitical influence. Yet in political and security terms, the U.S. role cannot be fully substituted, and European and Hungarian strategic planning must take this reality into account. Against this backdrop, the following recommendations could be put forward for Hungarian and European

policymakers vis-à-vis India:

- (1) Focus on economic and technological cooperation that India is willing to offer and does not require it to compromise on its strategic principles.
- (2) Emphasize long-term mutual benefits of diplomatic engagement rather than use short-term pressure tactics.
- (3) Monitor India's reactions to U.S. foreign policy shifts and develop adaptive strategies to maximize regional influence and market advantages.



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