

India

Money Military & Markets-XXV

Fragile Fronts: Ukraine, Europe & US limits

- Ukraine and Europe face manpower and fiscal limits against Russia, while the US depends on dollar supremacy to sustain its global power.
- US President Donald Trump's tools are limited, leaving Indian IT exposed to some action likely (H1-B) but tariff on IT imports/outsourcing ban ruled out.
- Gold stays strongest; exporters set for a sharp rebound with the inevitable US-India thaw in relations. Small-caps set to outperform in the next 12 months.

Fragile fronts: Western weakness, Russian strength & US limits

Ukraine's war effort is under severe strain, with manpower shortage, inferior military capacity, and delayed US weapons deliveries leaving it vulnerable, as Russia consolidates control over 18–20% of its territory and intensifies the offensive across key regions. Europe faces parallel constraints: ageing demographics, resistance to conscription, and mounting fiscal pressure mean that its defence build-up cannot be realized before 2029F–30F. The US itself confronts a looming social security crisis, making dollar supremacy essential for financing both external wars and domestic welfare. Any weakening of the dollar's reserve status would sharply limit its global reach. Against this backdrop, Trump's ability to hurt Indian IT outsourcing is limited: while he cannot impose outright bans, he could restrict visas, tighten taxes, and bar offshore contracts. His 2025 tariffs on India, enacted under a self-declared emergency, have already been ruled as an overreach by courts—underscoring that only Congress can authorize sweeping measures, leaving Trump with narrower executive tools.

Ukraine's shrinking manpower and heavy reliance on Western aid

Ukraine is facing a critical manpower shortage as its pool of soldiers diminishes while Russia continues to mobilize large forces, relying on conscription, external fighters, and mercenaries. Despite massive Western aid, Ukraine's military strength in terms of tanks, artillery, and airpower, remains far below Russia's, and new US missile deliveries under Trump's administration are unlikely to arrive before 2029F. Russia currently controls 18–20% of Ukrainian territory and is intensifying the offensive in Donbas, Sumy, Kharkiv, and Donetsk regions. Meanwhile, US political rhetoric—framing the conflict as “Modi's war”—reflects blame-shifting, pressure on India over Russian oil imports, and Trump's confrontational style. Ukraine's war financing is heavily dependent on US and EU aid, IMF loans, and the controversial use of frozen Russian assets, raising concerns about the USD's credibility.

Europe's defence gap: Manpower shortage and fiscal strain

Europe faces a dual crisis in preparing for potential conflict with Russia: a severe shortage of military manpower and insufficient equipment until at least 2029F–30F. Ageing demographics and shrinking pools of military-age men limit Europe's ability to mobilize, while political resistance to conscription further constrains surge capacity. By contrast, Russia has already mobilized hundreds of thousands, using coercive methods to expand its manpower base. Although the EU is planning a major increase in defence spending, rising pension liabilities, ballooning fiscal deficit, and higher bond yields undermine its ability to finance this build-up. Meanwhile, the US itself faces a looming social security funding crisis by 2033F, making sustained American support for Europe uncertain.

US power hinges on preserving dollar supremacy

The US can only sustain foreign aid and domestic welfare by preserving the dollar supremacy, as any erosion of its reserve currency status would cripple its ability to finance wars and social programs.

India IT sector at risk from visa curbs, not prohibition

Trump lacks the legal power to ban IT outsourcing to India, leaving him reliant on indirect levers like visa curbs, taxes, and contract restrictions.

Gold to remain the best asset class; buy small-cap stocks

US actions are undermining the USD which it is trying to protect. In this scenario, gold is the only winner. Indian markets are heavily shorted and any thaw in the relationship between the US and India will lead to a massive stock rally. Buy small-cap stocks.

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Fragile Fronts: Ukraine, Europe & US limits

Ukraine is facing a deep manpower crisis, with its pool of soldiers steadily shrinking while Russia continues to mobilize large forces through conscription, external fighters, and mercenaries. Despite massive Western aid, Ukraine's military capacity in terms of tanks, artillery, and airpower, remains well below Russia's, and new US missile deliveries may not take place until the end of the decade. Russia already controls 18–20% of Ukrainian territory and is intensifying its offensive in Donbas, Sumy, Kharkiv, and Donetsk regions. Europe faces parallel vulnerabilities: its armed forces are limited both by demographics—rapid ageing and shrinking military-age populations—and by political resistance to conscription. Even with its ambitious defence spending plan, rising pension liabilities, ballooning fiscal deficit, and surging bond yields make it difficult for the EU to finance the build-up needed before 2029F–30F. The US also faces a looming social security shortfall by 2033F, which underscores its dependence on the global supremacy of the US dollar to finance both foreign wars and domestic welfare. Any erosion of the dollar's dominance through de-dollarization or rival payment systems would threaten America's ability to sustain this dual burden. In parallel, Trump has only limited tools to hurt Indian IT outsourcing. While he cannot legally ban outsourcing outright, he could act indirectly by tightening H-1B and L-1 visa rules, raising outsourcing-related taxes, blocking Indian participation in federal contracts, or framing Indian IT as a cybersecurity risk. His 2025 tariffs on India, imposed via a self-declared national emergency, have already been challenged in courts, which ruled that such use of IEEPA exceeded presidential authority. This leaves Congress as the only body capable of approving sweeping outsourcing restrictions, which means Trump's practical influence is confined to narrower executive actions.

Ukraine cannot sustain its war with Russia beyond 12 months and Europe cannot re-arm without US help

Ukraine is facing a critical manpower shortage as its pool of soldiers diminishes while Russia continues to mobilize large forces, relying on conscription, external fighters, and mercenaries. Despite massive Western aid, Ukraine's military strength in terms of tanks, artillery, and airpower, remains far below Russia's, and new US missile deliveries under Trump's administration are unlikely to take place before 2029F. Russia currently controls 18–20% of Ukrainian territory and is intensifying the offensive in Donbas, Sumy, Kharkiv, and Donetsk regions. Meanwhile, US political rhetoric—framing the conflict as “Modi's war”—reflects blame-shifting, pressure on India over Russian oil imports, and Trump's confrontational style. Ukraine's war financing is heavily dependent on US and EU aid, International Monetary Fund or IMF loans, and the controversial use of frozen Russian assets, raising concerns about the long-term credibility of the USD as a reserve currency.

Ukraine is running out of manpower to man its frontlines ➤

Figure 1: The US can supply Ukraine with a vast quantity of weapons, but neither America nor Europe can provide the manpower to hold the frontlines; Ukraine is rapidly running out of soldiers, while Russia continues to draw on external fighters—even mercenaries from North Korea; in a desperate scenario, Washington's last resort might be to seek Pakistani troops in exchange for arms

Category	Ukraine	Russia
Active Manpower	~700,000-800,000 (mobilized)	~1,200,000 active
Reserves	~250,000	~2,000,000+
Tanks	~800-1,000 (Leopard, Challenger, Abrams <200)	~3,000-3,500 operational (T-72/80/90; limited T-14)
Armoured Vehicles (APCs/IFVs)	~2,000 (mix of Soviet & Western)	~7,000-8,000
Artillery (towed/self-propelled)	~1,500-2,000	~4,500-5,000
Rocket Systems (MLRS)	~300+ (HIMARS, Grad, etc.)	~3,000+ (Smerch, Tornado, Iskander)
Combat Aircraft	~50-70 operational (MiG-29, Su-27; F-16 deliveries starting 2024/25)	~900-1,000 (Su-30, Su-34, Su-35, MiG-31)
Helicopters (attack/transport)	~120	~1,500 (Ka-52, Mi-24, Mi-8)
Air Defense Systems	S-300, Buk, Patriot, NASAMS, IRIS-T, Gepard	S-300/400/500 layered systems; very dense coverage
Naval Power	Minimal navy; relies on naval drones & coastal missiles	Largest Black Sea Fleet (though weakened by drone/missile strikes)
Defense Industry Base	Significant pre-war, but heavily degraded; relies on NATO industry	Large-scale, resilient defence industry; mobilized economy
External Support	Massive US/EU military & financial aid essential	Sanctions pressure, but self-sufficient + support from Iran, North Korea, China (indirect)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Western media often claim that Russia has lost twice as many soldiers as Ukraine; however, such a disparity is typical for an invading army fighting across open plains; historically, this loss ratio can even reach 3:1

Category	Ukraine	Russia
Killed	~46,000– 100,000+	~200,000–277,000+
Wounded	~380,000+	Remainder of ~900,000 casualties
Missing / Non-Combat	~75,000 missing	~48,000 missing (per some estimates)
Total Casualties	~400,000– 550,000+	~900,000+ (killed, wounded, missing)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Trump's new missile offer is largely a lip service to Ukraine—delivering 3,350 ERAMs would realistically take the US until 2029F ➤

The Trump administration in the US has approved \$825m worth of arms sales to Ukraine, which includes extended-range missiles and related equipment to strengthen Kyiv's defensive capabilities against Russia. According to the US State Department, the deal covers 3,350 Extended Range Attack Munitions (ERAM) missiles, 3,350 GPS guidance kits, as well as components, spare parts, and electronic warfare defences. These weapons are described as having a range of "several hundred miles."

However, it is important to note that the ERAM program is still in the conception stage. A prototype costing around US\$34m is scheduled to be ready only by Oct 2025. Following prototype testing—which is expected to take at least six months—series production could begin. Even then, the maximum planned capacity under the ERAM program is ~1,000 missiles per year. This means that to supply the 3,350 missiles promised under the deal, the US would realistically need until at least 2029F, assuming smooth development and no production bottlenecks.

Russia approximately controls 18-20% of Ukraine and it will throw more resources in the battle in the coming days for a push in Donbas region ➤

1. Eastern Front – Donbas Region

- Russia has intensified its operations near **Pokrovsk**, a critical logistical and industrial hub supplying coal for Ukraine's steel industry. Troops are reportedly within six miles of the town.
- Reports indicate that Russia has amassed approximately **100,000 troops** near Pokrovsk, fuelling concerns about a potential large-scale push later this year.

2. Northern Front – Sumy Oblast

- Russian forces have carried out a series of incursions into northern Sumy Oblast:
 - **Basivka** fell after months of conflict; the village was effectively destroyed during the fighting.
 - **Kostiantynivka** was captured in early Jun 2025, expanding the front and putting nearby areas at increased risk.

3. Kupiansk Offensive (Kharkiv Region)

- Since late 2024, Russia has established bridgeheads across the **Oskil River**, pushing into towns like **Dvorichna** and advancing toward **Kupiansk**.
 - Fighting has continued with sporadic gains, including advances near settlements such as **Kamyanka** and **Sobolivka**.

4. Battle of Chasiv Yar (Donetsk Region)

- In early 2025, Russian forces made significant headway in Chasiv Yar, with reports by late Jul indicating control of up to **90% of the town**.

5. Novopavlivka Offensive (Dnipropetrovsk → Donetsk)

- Since Mar 2025, Russian forces have pushed into Novopavlivka in western Donetsk and even crossed into parts of Dnipropetrovsk Oblast—marking a silent escalation of the eastern front.

Figure 3: Russia currently controls roughly 18–20% of Ukraine’s territory, with its offensive operations intensifying in the Donetsk region, where troop concentrations and assaults suggest a renewed push to consolidate gains

RUSSIA-UKRAINE WAR

Who controls what in Ukraine?

Day 1,287 - September 3, 2025 | 09:30 GMT



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: The Donbas region is key for Russia, and they are mounting pressure in this region before peace talks to negotiate for its control

Front / Region	Key Developments
Donbas (Pokrovsk, Toretsk)	Troop build-up; pressure mounting, summer offensive largely stalled.
Sumy Oblast (Basivka, Kostiantynivka)	Russian incursions and territorial gains since early to mid-2025.
Kupiansk (Kharkiv region)	Ongoing offensive with bridgeheads on the Oskil River, slow progress.
Chasiv Yar (Donetsk)	Mostly under Russian control by mid-2025.
Novopavlivka (Donetsk/Dnipropetrovsk)	New gains extend into additional regions.
Overall	Slow but steady gain; high Russian casualties and equipment losses.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Why is Trump and the US blaming India for the war in Ukraine to the extent of calling it “Modi’s war”? ➤

This “Modi’s war” rhetoric is less about facts on the ground and more about domestic US politics and blame-shifting. A few points explain why Trump and some US voices are framing it this way:

1. Deflection from US responsibility

- The war in Ukraine has become politically costly for America: billions in aid, military overstretch, and no clear end game.
- By projecting the war as “Modi’s war,” Trump distances the US from accountability and deflects domestic criticism—especially towards an external actor that cannot vote in US elections.

2. India’s energy & trade with Russia

- India has sharply increased imports of **discounted Russian oil**, refined products, and even coal since 2022.

- These flows indirectly ease Moscow's war economy by providing revenue, which US critics exaggerate as "funding Putin's war."
- In reality, India's position is pragmatic—securing cheap energy for its growing economy while staying non-aligned.

3. Trump's political style

- Trump has a history of **simplistic, transactional, and confrontational rhetoric**—labelling North Atlantic Treaty Organization or NATO as "obsolete," calling Germany "delinquent," or blaming China for the COVID-19 pandemic.
- Casting Ukraine as "Modi's war" is a part of this pattern: a sound bite designed for headlines and domestic applause rather than a nuanced geopolitical assessment.

4. Pressure on India as a swing power

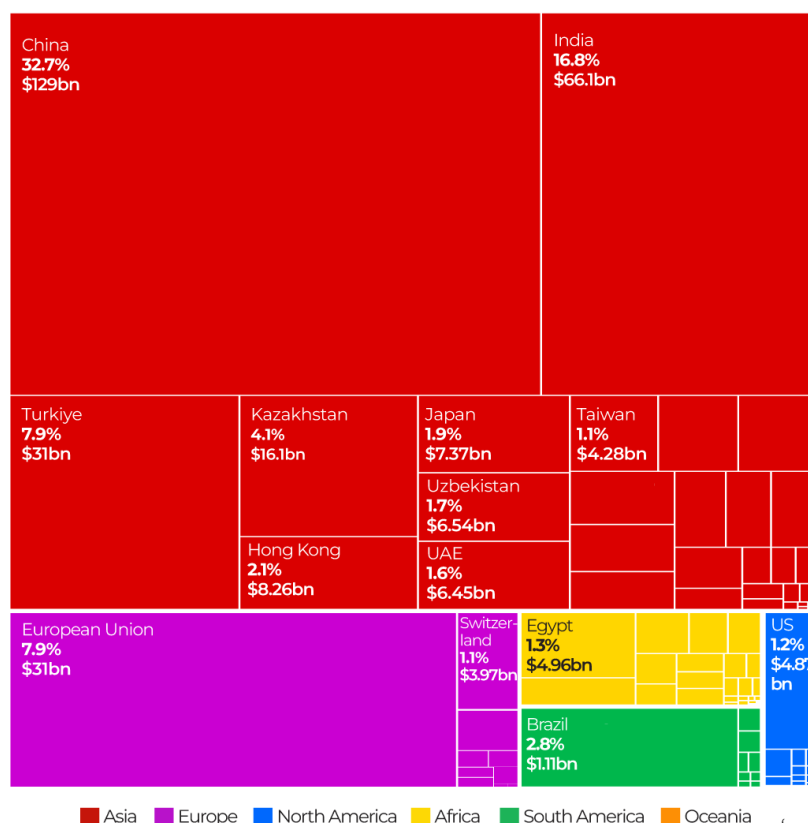
- Both Washington and Europe know that India is a **swing state in global geopolitics**:
 - India buys Russian oil.
 - India abstains from many United Nations resolutions.
 - India simultaneously deepens defence ties with the US, Japan, and Europe.
- By blaming India, Trump applies pressure to reduce Russia ties, while signalling to Europe and US voters that someone else must share the burden.

Figure 5: India accounts for 16.8% of Russia's overall trade basket, making it the second-largest importer; while Washington singles out New Delhi, it overlooks the fact that China, the EU, and NATO member Türkiye also remain among Russia's key trading partners

ECONOMY

Who does Russia sell to the most?

Before the Ukraine war, Russia's exports were more diversified. By 2023, following Western sanctions, its trade shifted east, focusing on China, India and Türkiye.



Source: Observatory of Economic Complexity (OEC) | September 2, 2025

@AJLabs



SOURCE: INCRED RESEARCH, COMPANY REPORTS

How Ukraine is financing the war? ➤

1. Massive external support

- **The US and the EU aid** are the backbone of Ukraine's wartime budget.
 - Since 2022, the **US has pledged well over \$170bn** in military, financial, and humanitarian aid.
 - The **EU collectively has committed over €100bn**, including the long-term **Ukraine facility (€50bn over 2024-27)** to cover government spending and reconstruction.
- **IMF & World Bank loans**: Ukraine secured a **US\$15.6bn IMF program** in 2023 (four-year extended fund facility), which unlocks parallel World Bank and bilateral support.
- **Grants vs. loans**: Much of the EU support is grant-based; US military aid is direct transfer of equipment, while IMF programs are concessional loans.

2. Domestic revenue & adjustments

- **Taxation & customs duties**: Despite the war, Ukraine collects income, value added tax or VAT, and customs duties, although the volumes have reduced.
- **Money printing**: The **National Bank of Ukraine (NBU)** has, at times, monetized deficits by purchasing government bonds, although this risks inflation.
- **Debt restructuring**: Kyiv negotiated a freeze on payments for **US\$20bn in Eurobonds** until 2027, reducing immediate fiscal pressure.
- **War bonds**: The government issues hryvnia-denominated "war bonds" purchased by banks, businesses, and citizens as patriotic financing.

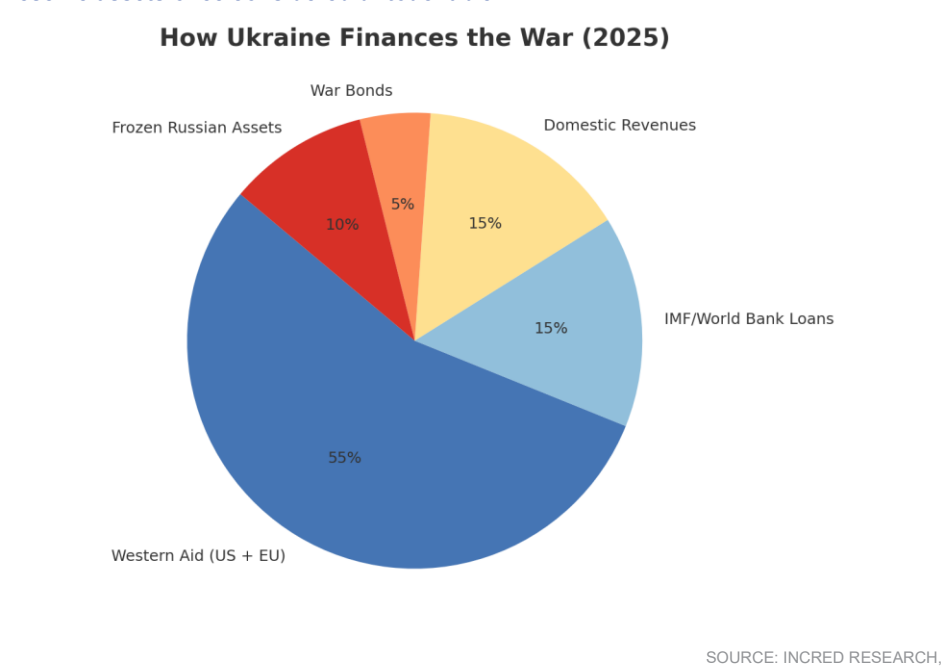
3. Asset seizures & external transfers

- **Frozen Russian assets**: G7 and EU are working on mechanisms to use profits from **~€300bn of frozen Russian central bank reserves** to finance Ukraine. First transfers began in 2024–25.
- **Confiscated oligarch assets**: Ukraine and allies are seizing sanctioned individuals' assets, though the actual proceeds are limited.

4. International procurement channels

- Most heavy weapons (tanks, artillery, missiles) are **not paid for directly by Ukraine** but are transferred under US/EU programs.
- For procurement of fuel, drones, and ammunition, Ukraine uses a mix of **budget funds and external grants**.

Figure 6: Ukraine is also financing its war by drawing on frozen Russian dollar assets; this sets a damaging precedent for the credibility of the US dollar, as it weaponizes reserve assets once considered untouchable

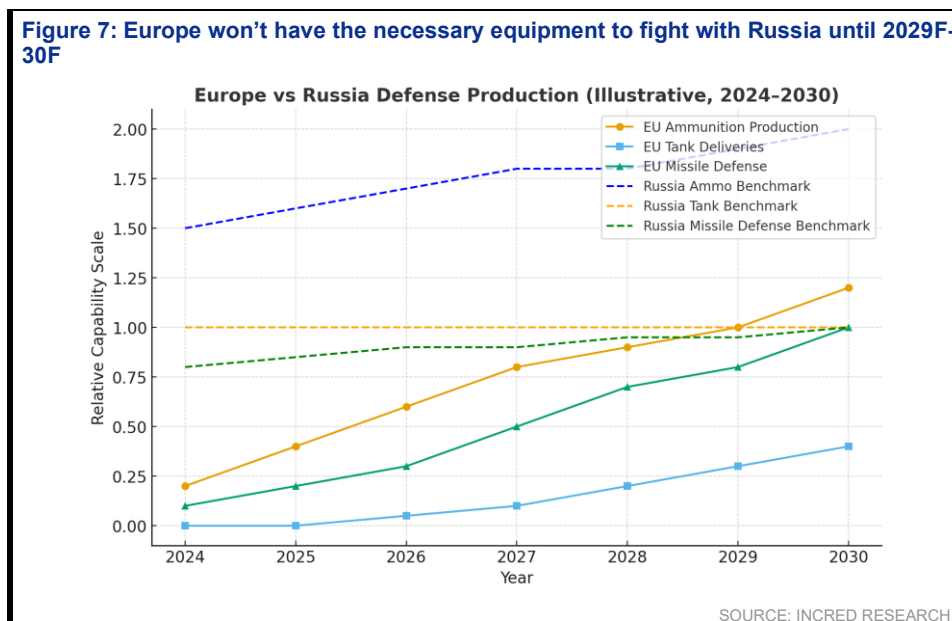


European war efforts are a hoax; they cannot fight a war—even the equipment required will not be ready until 2030F

Europe faces a dual crisis in preparing for a potential conflict with Russia: a severe shortage of military manpower and insufficient equipment until at least 2029F–30F. Ageing demographics and shrinking pools of military-age men limit Europe's ability to mobilize, while political resistance to conscription further constrains surge capacity. By contrast, Russia has already mobilized hundreds of thousands, using coercive methods to expand its manpower base. Although the EU is planning a major increase in defence spending, rising pension liabilities, ballooning fiscal deficit, and higher bond yields undermine its ability to finance this build-up. Meanwhile, the US itself faces a looming social security funding crisis by 2033F, making sustained American support for Europe increasingly uncertain.

Europe won't have the necessary equipment to fight with Russia until 2029F-30F ➤

Figure 7: Europe won't have the necessary equipment to fight with Russia until 2029F-30F



Their manpower shortage is equally acute ➤

Shrinking military-age population

- Europe's **demographics are ageing rapidly** — fertility rates are below 1.6 across most of the EU.
- The pool of men aged **18–35 (prime military age)** is shrinking year after year.
- By contrast, Russia, while also facing demographic decline, has a **larger mobilizable pool** and is willing to use more coercive conscription.

Low active forces

- Major European powers (excluding Turkey):
 - **Germany**: ~180,000 active troops
 - **France**: ~205,000
 - **UK**: ~150,000
 - **Italy**: ~170,000
- Combined, these numbers are far below Russia's **~1.3m active + reservists** engaged in Ukraine.

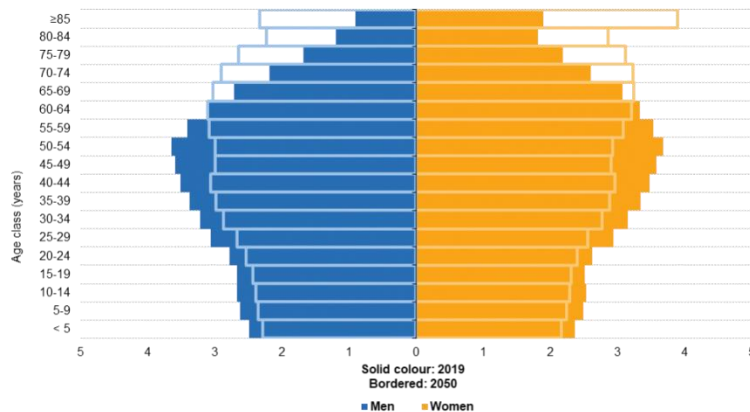
Political resistance to conscription

- Conscription has been **abolished or is deeply unpopular** in Germany, France, the UK, Spain, and Italy.

- Even in frontline states like Poland or the Baltics, large-scale mobilization is **politically explosive**.
- Europe relies on **volunteer forces**, which limits surge capacity in war times.

Figure 8: European military population is decreasing

Population pyramids, EU-27, 2019 and 2050
(% share of total population)



Note: all data as of 1 January. 2019: estimates and provisional 2050: population according to the 2019 projections, baseline variant (EUROPOP2019).
Source: Eurostat (online data codes: demo_pjangroup and proj_19np)

eurostat

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Contrast with Russia's approach

- Russia has already mobilized **hundreds of thousands** of men since 2022 and is using:
 - **North Korean workers / mercenaries**
 - **Prison recruitment (Wagner, MoD units)**
 - **Migrants from Central Asia** pressured into contracts
- This makes Russia's manpower pool **far more expandable** than Europe's.

EU is planning aggressive defence spending ➤

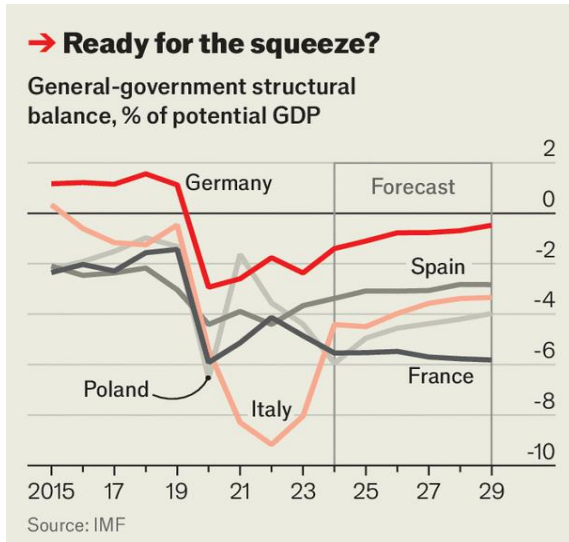
Figure 9: EU is planning aggressive defence spending, but this clashes with rising bond yields and a slowing economy

Initiative	Purpose	Scale / Target
2024–2025 Defence Levels	Baseline spending by EU member states	~€343bn to €381bn (1.9% to 2.1% of GDP)
Readiness 2030	Mobilize funds + enable expanded spending	Up to €800bn via fiscal flexibility + loans
NATO 5% Target by 2035	Long-term collective defence effort	5% of GDP: 3.5% defence + 1.5% resilience

SOURCE: INCRED RESEARCH, COMPANY REPORTS

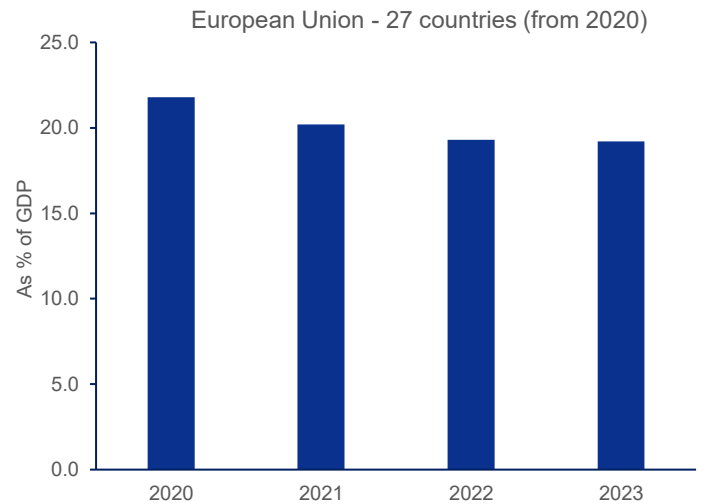
However, finances of the EU are equally acute, and Western countries' actions have reduced the demand for both USD and Euro as reserve currencies and hence, simple printing won't help ➤

Figure 10: The fiscal deficit is not likely to come down...



SOURCE: INCRED RESEARCH, COMPANY REPORTS

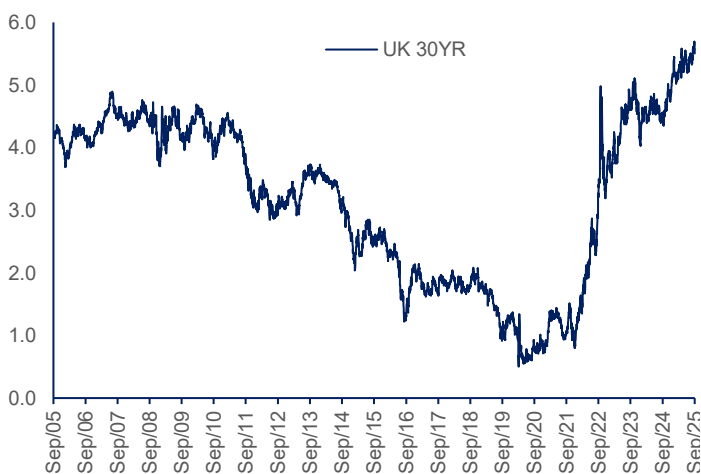
Figure 11: ...and social security spending will keep on increasing



SOURCE: INCRED RESEARCH, COMPANY REPORTS

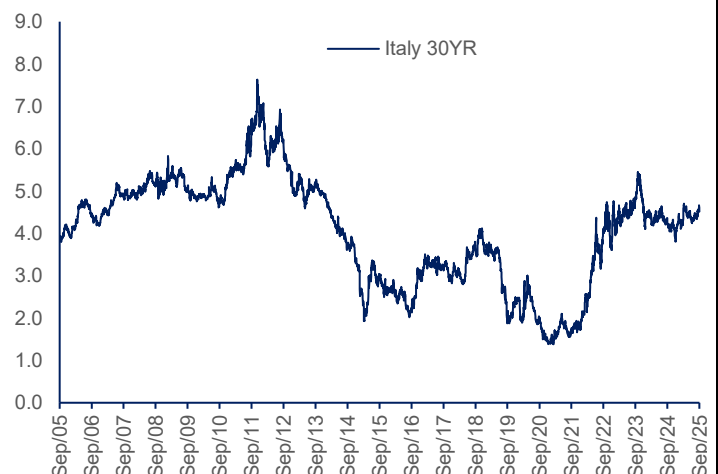
The EU faces large pension liabilities, and at the same time it needs to print more money to increase its defence budget. Consequently, bond yields in the Eurozone will rise. We are already witnessing a dire scenario where the fiscal deficit is increasingly becoming a major problem for European nations as yields continue to climb.

Figure 12: UK's 30-year bond yield is at a 20-year high



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Italy's 30-year bond yield is below the 2011 crisis level; however, that time Italy was near bankruptcy



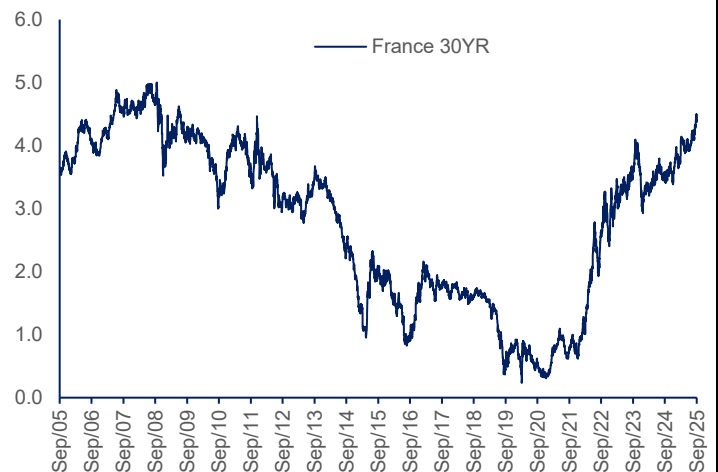
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: German bond yield is near 15-year high...



SOURCE: INCRED RESEARCH, COMPANY REPORTS

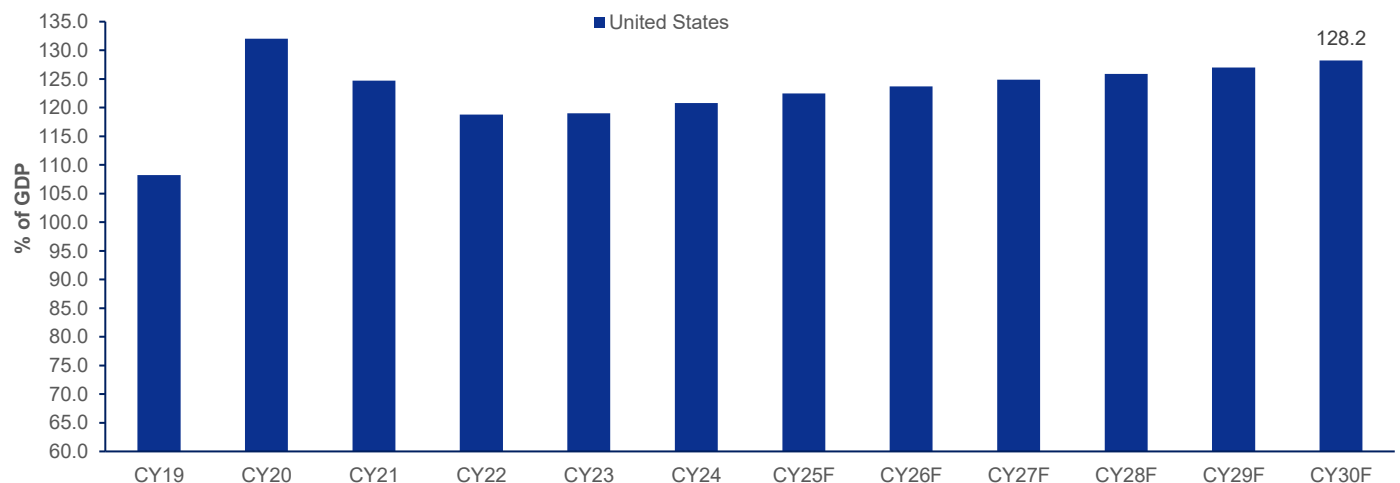
Figure 15: ...and similar is the case with France



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Assuming Trump changes course, then whether he can keep funding the EU? It doesn't seem likely because US social security funding will be inadequate from 2033F➤

Figure 16: The US debt-to-GDP ratio (without accounting for unfunded pension liability) will increase to 128% by CY30F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

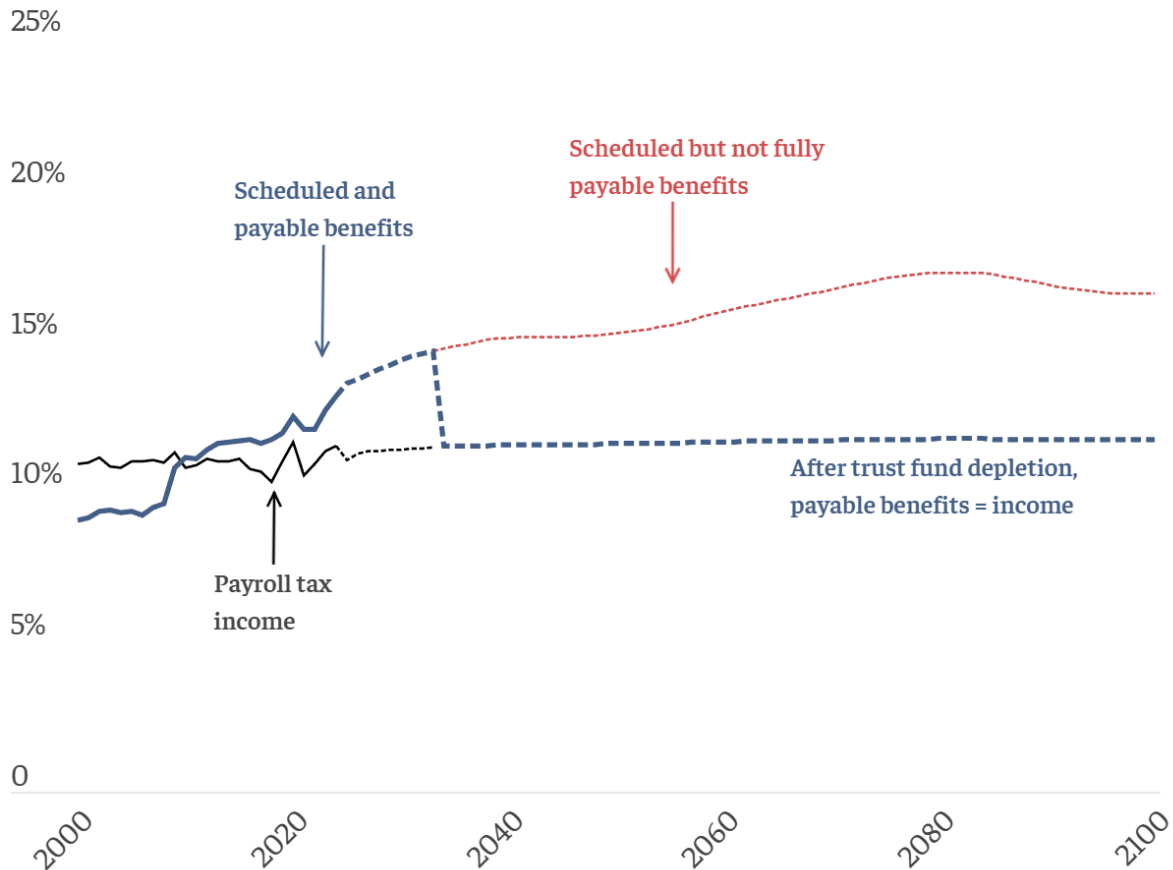
The 2025 report of the trustees of social security trust funds underscores the financial precarity of the nation's most popular federal program. The trustees project that social security's primary trust fund will be depleted in 2033F. Unless Congress acts, current and future beneficiaries alike will see their benefits cut by 23%. The trustees' projected depletion date did not change between 2024 and 2025, despite the enactment of the Social Security Fairness Act at the beginning of this year. That legislation, which eliminated Social Security's Windfall Elimination Provision and Government Pension Offset, is projected to add nearly \$200bn to the program's shortfall over the next 10 years alone.

Figure 17: The US is going to be hit my major civil unrest as its social security funds will deplete by 2032F; the big, beautiful bill of Donald Trump has brought the scenario nearer

Figure 1: Social Security Benefit Cliff Projected in 2033

Old-Age and Survivors Insurance program* income, cost, and expenditures as a percentage of taxable payroll

----- Projected



Source: SSA

SOURCE: INCRED RESEARCH, [HTTPS://BIPARTISANPOLICY.ORG/BLOG/2025-SOCIAL-SECURITY-TRUSTEES-REPORT-EXPLAINED](https://bipartisanpolicy.org/blog/2025-social-security-trustees-report-explained)

To help Ukraine and fund the social security gap, the US needs dollar supremacy

To sustain aid for Ukraine and address the widening social security gap, the US must preserve the supremacy of the dollar. Dollar dominance allows Washington to borrow cheaply, finance deficits on a massive scale, and impose sanctions that weaponize access to global capital markets. Without reserve currency status, US debt servicing costs would surge, making it far harder to fund both external commitments like Ukraine and internal obligations such as pensions and healthcare. In short, the strength of America's fiscal and geopolitical reach is inseparable from the global demand for dollars. Any erosion of that supremacy—through de-dollarization, rival payment systems, or reduced trust in US treasuries—would undermine its ability to finance wars abroad and welfare at home simultaneously.

The US needs dollar supremacy to keep financing unlimited fiscal deficit ➤

Figure 18: The US needs dollar supremacy for funding its social security needs and defence budget

With USD Supremacy	Without USD Supremacy
Global demand for treasuries keeps yields low	Borrowing costs spike as foreign demand shrinks
Petrodollar & trade invoicing ensure dollar flow	Trade shifts to other currencies, weakening demand
The US can run multi-trillion deficits annually	Deficits face market discipline, forcing austerity
Can finance wars abroad + welfare at home	Must choose between domestic entitlements or defence
Sanctions work as global access is dollar-based	Sanctions lose bite as rivals bypass the USD
Global savings subsidize US fiscal policy	Domestic taxpayers bear full burden of deficits

SOURCE: INCRED RESEARCH, COMPANY REPORTS

But does alienating India and BRICS help in USD supremacy? It's unlikely ➤

1. USD supremacy relies on global buy-in

The dollar's role as the reserve currency depends on trust, network effects, and participation. The more countries use it for trade invoicing, reserves, and debt, the more entrenched it becomes. Alienating large blocs like India and BRICS incentivizes them to seek alternatives—regional payment systems, bilateral trade in local currencies, or gold settlements. That dilutes the very demand base the US relies on.

2. BRICS as an alternative platform

BRICS nations already control ~40% of global oil production/consumption and >30% of world gross domestic product or GDP (PPP). They are actively exploring BRICS Pay and commodity-backed settlement systems (gold, rare earths, yuan). If alienated, India—being a huge importer of energy and a major exporter of IT services, pharmaceuticals, and defence equipment—could tip the balance by legitimizing non-USD systems.

3. Alienation weakens sanction power

The US uses dollar supremacy to enforce its sanctions. But overuse + alienation accelerates de-dollarization. Russia was pushed to settle in yuan, Indian rupee, and dirham after being cut off from SWIFT (Society for Worldwide Interbank Financial Telecommunication). If India (world's fastest-growing major economy) is also pressured, it will expand those channels further, weakening sanction leverage.

4. Short-term vs. long-term thinking

In the short term, Washington may think punishing India/BRICS consolidates Western unity and proves "strength." But long-term, it forces adversaries and neutrals alike to build alternatives. Supremacy isn't maintained through coercion—it's maintained through indispensability. The more countries the US alienates, the more it risks losing that indispensable status.

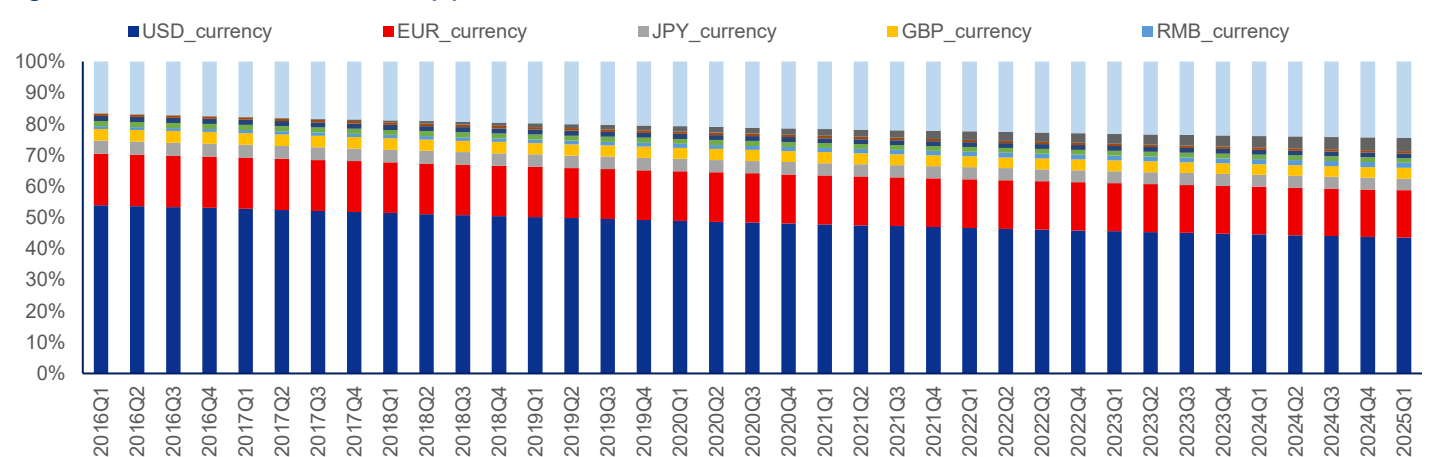
Figure 19: Even under best-case Trump policies, the USD will weaken -1

Scenario	U.S. Approach	India & BRICS Response	Impact on USD Supremacy
Best Case	Cooperative, inclusive strategy. US accommodates India's strategic autonomy while keeping BRICS engaged in dollar trade.	India continues partial dollar usage; BRICS adopt local settlement only at margins.	Dollar remains dominant (>55% of global reserves), borrowing costs stay low, sanctions retain their bite.
Base Case	Mixed approach—tariffs, pressure, but also selective engagement.	India hedges: uses the USD for global trade but expands rupee/yuan/gold settlement in BRICS.	Gradual erosion of the USD's share (toward 45–50%), higher US borrowing costs, reduced sanction leverage.
Worst Case	Confrontational, alienating stance. The US sanctions India or forces BRICS exclusion.	India accelerates rupee/BRICS Pay adoption; BRICS consolidate alternative system (gold/oil-backed).	Sharp fall in USD usage (below 40%), US fiscal deficits become harder to finance, sanction power collapses.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

USD reserves in central banks are coming down and gold's share is increasing ➤

Figure 20: Even in a best case for Trump policies, the USD will weaken- 2



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Can Trump expand the tariff umbrella to Indian IT outsourcing, and is it even legal under US laws?

Trump cannot directly force US IT companies to stop outsourcing jobs to India, as there is no single law granting a President that power. In theory, he could invoke national security laws like the International Emergency Economic Powers Act (IEEPA) or the Trading with the Enemy Act (TWEA), but such extreme steps—such as declaring India an “enemy nation” or “security threat”—would be legally contested, economically disruptive, and politically unpopular. A more realistic path for Trump to hurt Indian IT would be indirect: tightening H-1B/L-1 visa rules, raising outsourcing-related taxes, barring offshore participation in US government IT contracts, or framing Indian IT as a cybersecurity risk. His 2025 move to impose a 25% tariff on India under a self-declared national emergency (linked to Russian oil imports) has already been challenged in courts, which have ruled that IEEPA-based tariff powers exceed presidential authority. Ultimately, only Congress can pass sweeping new outsourcing taxes or tariffs, which means Trump’s practical tools are limited to executive actions like visa restrictions, procurement rules, and targeted trade measures.

Can Trump force US IT companies to stop outsourcing their jobs to India? >

There is **no single US law** that allows a President to outright order private IT companies to stop outsourcing business to India. In normal circumstances, American companies are free to contract with foreign companies. However, a President like Donald Trump can use a **combination of existing laws and executive powers** to indirectly achieve this.

Can he declare India as an enemy nation and stop outsourcing of IT jobs? It’s difficult >

Under US laws, the phrase “enemy nation” typically applies only during **war or declared national emergency**. The key statute here is the **Trading with the Enemy Act (TWEA, 1917)**.

- It allows the US President to restrict or prohibit trade and transactions with countries deemed enemies during wartime.
- After WW-II, its scope narrowed—today it’s only applied to Cuba.

For most other cases, Presidents rely on the International Emergency Economic Powers Act (IEEPA, 1977) instead of TWEA.

Then how IT outsourcing can be stopped? May be by declaring India as a national security threat >

If Trump declares India a “national security threat” or an “enemy” under IEEPA/TWEA, he could:

- Ban US companies from contracting IT services to Indian companies.
- Block financial transactions between US banks and Indian IT companies.
- Penalize companies that continue outsourcing to India.
- Pressure US government contractors to keep all work onshore.

Essentially, outsourcing would collapse overnight—not because of a direct “outsourcing law,” but because US companies legally couldn’t pay or contract Indian vendors.

However, there are multiple constraints in this route >

Such a move would face **massive legal challenges** inside the US (courts, Congress, corporate lobbies).

Economically, it would be disastrous:

- US banks, airlines, pharma, insurance, and tech companies all depend on Indian IT services.
- Disrupting this would cost US companies billions, slow down digital operations, and spark chaos in financial markets.

What is the most likely scenario then to hurt the Indian IT sector and thus India? Not dramatic, but he can hurt Indian IT sector ➤

- Tighten H-1B/L-1 visas.
- Raise outsourcing-related taxes or tariffs.
- Restrict federal/government IT contracts from going offshore.
- Use executive orders to label Indian IT as a “cybersecurity risk,” then narrow specific segments (e.g., government data processing, defence IT).

Figure 21: Even in a best case for Trump policies, the USD will weaken - 3

Tool	Likelihood	Impact on India	Likely Targets
Section 301 (Trade Act 1974)	High	High	Pharma, chemicals, IT services
Section 232 (Nat. Security)	Medium	High	Active pharmaceutical ingredients or APIs, critical minerals, defence-related IT
ADD / CVD	High	Medium	Chemicals, plastics, metals
Section 201 (Safeguard)	Low-Medium	Medium	EV parts, solar, batteries
Visa Restrictions	High	High (indirect tariff)	IT services outsourcing
Digital Tax Retaliation	Medium	Medium	Indian IT/digital platforms

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1. Section 301 (Trade Act 1974) allows the US to impose tariffs if a country is found guilty of “unfair trade practices” or denying “equitable market access.”
2. Section 232 of the Trade Expansion Act of 1962 lets the President impose tariffs if imports threaten national security.
3. Anti-Dumping & Countervailing Duties (ADD/CVD) are not especially applicable to India.
4. Section 201- Temporary tariffs/quotas if a sudden surge of imports harms US industries.
5. Visa Restrictions-Executive authority over visa programs (H-1B, L-1).
6. Digital Services & Tax Retaliation - USTR can retaliate if countries impose digital taxes targeting US companies.

However, we not painting a doomsday picture and the US has never seen a dictator; Trump’s powers have limits ➤

- Any sweeping ban would face **legal challenges** in US courts.
- American companies would argue it violates free enterprise and contracts.
- Congress could also resist if the measures hurt US competitiveness.
- Most likely, Trump would use a mix of **visa restrictions, procurement bans, and tariffs/taxes** rather than an outright prohibition.

Under which law Trump has imposed a 25% penalty on India for importing Russian oil? He has used National Emergency Act ➤

As per a White House press release: *The President found that India is currently importing Russian Federation oil. Accordingly, to address the national emergency stemming from the Government of the Russian Federation’s actions taken against Ukraine, he is imposing an additional 25% tariff on imports from India, effective August 27, due to India’s direct or indirect importation of Russian Federation oil.*

- *This tariff is in addition to any other duties, fees, taxes, exactions, and charges applicable to such imports, unless subject to existing or future actions under section 232 of the Trade Expansion Act of 1962.*
- *This tariff is also in addition to any tariff applicable under Executive Order 14257 of April 2, 2025, as amended, but the additional 25% tariff imposed by this order shall not apply to articles set forth in Annex II to Executive Order 14257.*

The Secretary of Commerce, in coordination with the Secretary of State, Secretary of the Treasury, and other senior officials, will determine whether other countries directly or indirectly import Russian Federation oil and recommend further actions to the President as needed.

What is the process of declaring national emergency and how it is proclaimed in the US? Congress plays an important role in it and Trump hasn't consulted Congress ➤

The "national emergency law" in the US refers to the National Emergencies Act of 1976, which empowers the President to declare a national emergency in response to a crisis. This declaration gives the President access to a vast array of special powers and authorities granted by other laws, allowing the US to take extraordinary actions to address the emergency. Congress must be notified of the declaration, and the emergency must be renewed annually, while Congress can terminate the emergency with a joint resolution.

How it works:

1. Declaration

The President issues a written proclamation, typically in the form of an executive order, to declare a national emergency.

2. Notification and publication

The president must publicly notify Congress and publish the declaration in the Federal Register, the official government journal.

3. Powers

The declaration allows the President to tap into over 150 special powers and authorities provided by other laws, such as the Defense Production Act or the International Emergency Economic Powers Act.

4. Congressional oversight

- **Renewal:** The emergency automatically ends unless the President formally renews it each year by notifying Congress.
- **Termination:** Congress can terminate the emergency declaration by enacting a joint resolution into law. However, Congress needs a two-thirds vote in both houses to override a presidential veto, which has been used to block attempts to end emergencies.

5. Purpose of the Act

The National Emergencies Act of 1976 was enacted to restore checks and balances on executive power by establishing formal procedures for declaring and managing national emergencies. Before the Act, multiple emergencies remained in effect for decades without proper review or renewal.

6. Examples of powers

While the specific powers are found in other laws, a national emergency declaration can allow the President to seize property, take control of transportation and communications, implement trade restrictions, and control domestic industries and resources for national defence.

Does Trump needs Congress nod for tariff order? ➤

Figure 22: Tariff powers Trump can use *without* Congress nod

Law / Authority	What It Does	Requires Congress nod?	Examples from Trump 1.0	India Implications
Section 232 (Trade Expansion Act, 1962)	Lets the President impose tariffs if imports threaten national security.	✗ No	25% tariff on steel, 10% on aluminium (2018).	India hit on steel/aluminium exports. Could expand to pharma (APIs) or critical minerals.
Section 301 (Trade Act, 1974)	Allows retaliation against "unfair trade practices."	✗ No	Removal of India from GSP in 2019.	Could target pharma, chemicals, IT services.
Section 201 (Trade Act, 1974)	"Safeguard" tariffs for sudden import surges.	✗ No	Tariffs on solar panels, washing machines.	Could be applied to chemicals, electric vehicle or parts, batteries.
IEEPA (1977)	Broad emergency powers over foreign trade/finance if a "national emergency" is declared.	✗ No	Threats against TikTok, Huawei.	Could restrict Indian IT contracts or payments if framed as a "cybersecurity risk."

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 23: Tariff powers that do require Congress nod - new tariff orders need to be passed by Congress and tax on IT outsourcing needs a special bill

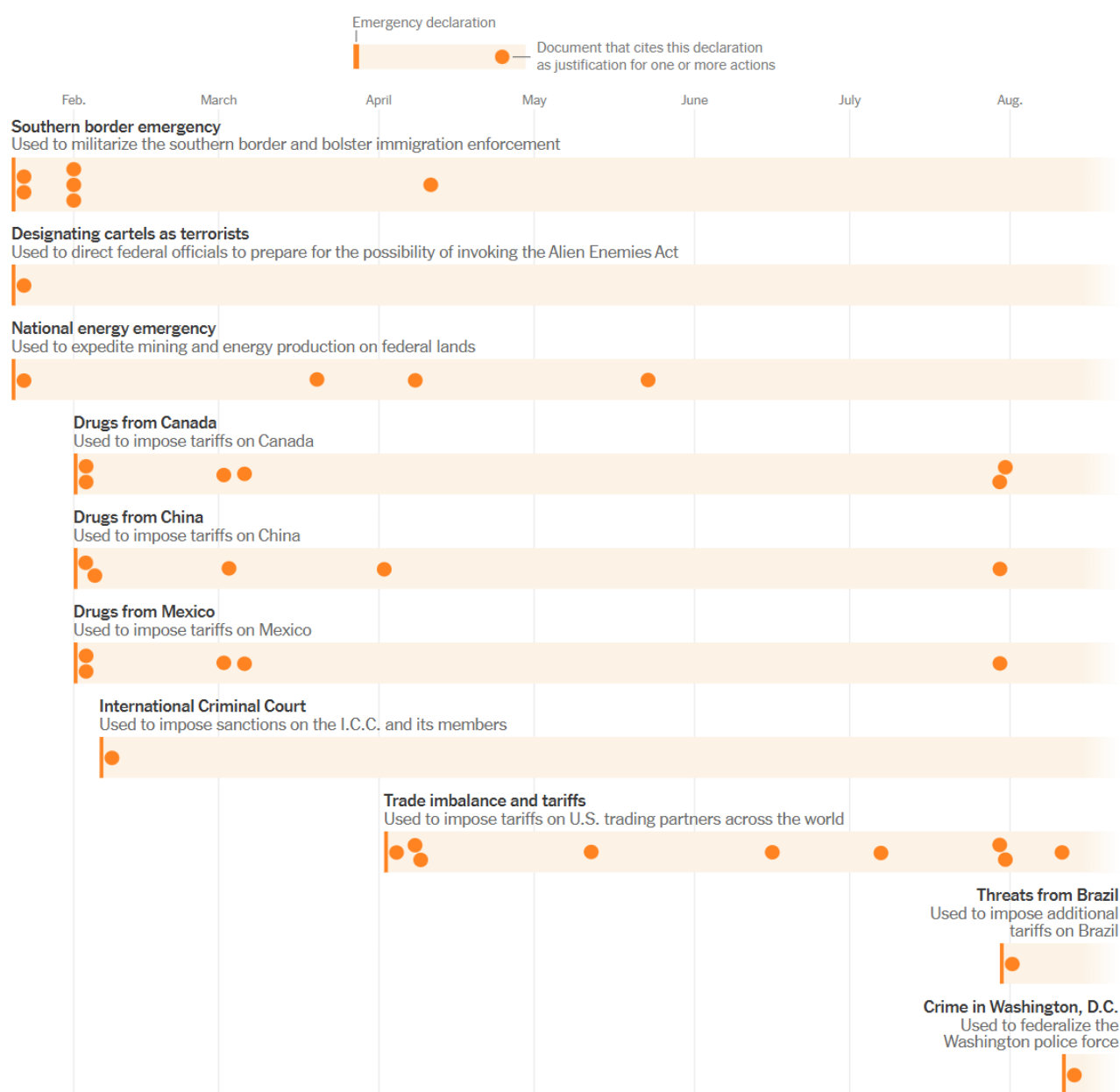
Law / Authority	What It Does	Requires Congress nod?	Why Hard to Pass
New Tariff Legislation	Congress could pass bills to impose across-the-board tariffs (e.g., universal 10%).	✓ Yes	Requires House + Senate majorities, then President's signature (or veto override).
Tax Penalties on Outsourcing	Congress could legislate new tax disincentives for US companies outsourcing to India.	✓ Yes	Needs bipartisan support, unlikely given corporate lobbying.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

IEEPA is the main thing for introducing tariffs against India - whether it has been used against India in 2025? ➤

Yes, President Trump invoked national emergency and then used IEEPA to impose tariffs against India. He has not imposed 25% additional tariff under IEEPA.

Figure 24: Prior to invoking a national emergency to impose an additional 25% sanction against India, he had already exercised this power on 10 previous occasions; this represents an unprecedented use of authority under the national emergency declaration; this is unprecedented use of emergency power in such a small span of presidency



Note: Each document shown as a dot contains at least one action justified by the emergency, and some contain several or many actions (for instance, tariffs imposed on dozens of countries at once). - The New York Times

SOURCE: INCRED RESEARCH, COMPANY REPORTS

However, please remember trade imbalance tariff can only be imposed by Congress or by President under authorization of Congress ➤

A tariff on a trade imbalance can't only be imposed by Congress, as the President can also impose tariffs under specific legal authority granted by Congress, often through legislation like Trade Promotion Authority (TPA). While the US Constitution gives Congress the power to regulate foreign commerce and levy taxes (including tariffs), Congress can delegate this power to the President to negotiate trade agreements or take action on tariffs for national security or other reasons.

Who has the authority to impose tariffs?

- **Congress:** Has the constitutional power to regulate foreign commerce and impose tariffs.
- **President:** Can also impose tariffs, but only when explicitly authorized by Congress.

How can the President impose tariffs?

- **Delegated authority:**
Congress can pass laws to give the President authority to adjust tariffs under certain circumstances, such as for national security reasons.
- **Trade Promotion Authority (TPA):**
This is a specific type of legislation Congress can pass to allow the President to negotiate trade agreements and make limited changes to tariffs.
- **Executive Orders:**
The President may act on tariffs through executive orders, but this action must be grounded in existing legal authority granted by Congress.

Remember tariffs on India are not under TPA and neither they were passed by Congress and hence, might be illegal ➤

As of Sep 2025, the tariffs imposed on India by the US were not initiated by Congress under Trade Promotion Authority (TPA) but rather by a presidential executive order. This has caused significant diplomatic and trade friction between the two countries.

US court has indicated that tariffs under IEEPA are also illegal ➤

Presidential vs. congressional authority: A US appeals court recently ruled that former President Trump's use of the International Emergency Economic Powers Act (IEEPA) for imposing similar tariff measures was illegal, stating that Congress has the sole power to set tariffs. The existing tariffs remain in place, pending a potential appeal to the Supreme Court.

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