US Sanctions Law 2026: What the 100% Tariff Threat Means for India

Current Affairs · GS-II & GS-III · For UPSC CSE and HPAS (HPPSC) aspirants

Introduction

In September 2026, the United States passed a law that can put a tax of up to 100% on goods coming from countries that buy Russian oil. India is one of those countries. The law does not punish Russia directly. It puts pressure on Russia's customers instead. This is why a war in Europe has become a question about petrol prices and export orders in India.

1. What Happened

- The US Senate passed the law in August 2026. The House of Representatives passed it on **16 September 2026**.
- Its full name is the **Lindsey O. Graham Sanctioning Russia and Iran Act of 2026**. It covers Iran along with Russia.
- The law has now gone to the US President for his signature.

> **THE MOST IMPORTANT POINT**
>
> Passing the law does not mean the tariff has been imposed. The law only gives the US President the **power** to impose it. He may use that power fully, partly, or not at all. Saying "America has put a 100% tariff on India" is wrong.

2. What the Law Allows

The law works in three simple ways.

- **A tariff on buyers.** The US President can put a tax of up to 100% on goods imported from the five largest buyers of Russian oil and gas. These five are China, India, Türkiye, Slovakia and Hungary. China is the biggest buyer and India is second.
- **A way out.** A country can escape the tariff if it buys very little Russian gas and is clearly working to reduce it further. The list of five is also reviewed every few months, so a country that cuts its purchases can come off the list.
- **Direct sanctions on Russia.** The law also targets Russian leaders, officials, banks and defence companies. It further targets the old, unregistered ships that Russia is *accused* of using to move oil quietly. This is a charge made in the law, not a proven fact.

3. Why India Is on the List

India does not produce enough oil of its own. Close to **90% of the oil India uses is imported**. So whatever happens in the world oil market reaches Indian households quickly.

After the Russia–Ukraine war began in 2022, Western countries stopped buying Russian oil. Russia was left with extra oil and started selling it cheap. Indian refineries bought it in large quantities. Within a few years Russia became India's biggest oil supplier, and today it provides **close to half of India's total oil imports**.

This was a sound commercial decision. Cheaper oil saved foreign exchange and kept fuel prices under control. But it also created a new problem. India now depends heavily on one supplier, and that supplier has become politically costly to deal with.

4. How This Can Affect India

The effect will not come all at once. It will travel through four stages.

Stage 1 — Oil becomes costlier

If India buys less Russian oil, it must buy from other countries at normal prices. The ships also have to travel longer distances, so freight and insurance cost more. The oil import bill rises.

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Stage 2 — Refineries come under pressure

Every refinery is built to process a particular type of crude oil. Russian oil suits many Indian refineries well. Switching to other types reduces efficiency and cuts profits. Refineries that bought the most Russian oil will feel this the most.

Stage 3 — Exports become harder

If the tariff is actually imposed, Indian goods become costlier in the American market. Buyers there may shift to other countries. Small factories and labour-intensive industries suffer first, because they work on thin profits and have few other markets.

Stage 4 — Pressure on the economy

A higher oil bill and lower export earnings together widen the **current account deficit**. Demand for dollars rises, which weakens the rupee. Even before any tariff is imposed, the uncertainty itself makes shipping, insurance and bank finance costlier for traders.

> **TWO SEPARATE PROBLEMS — DO NOT MIX THEM**
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> A US tariff makes Indian **exports** costlier. That is a trade problem.
> Losing cheap Russian oil makes Indian **imports** costlier. That is an inflation problem.
> They have different causes and different solutions.

5. What This Means for Himachal Pradesh

A national issue does not affect every state equally. Himachal is affected through three channels.

> **THE MAIN RISK — THE MEDICINE INDUSTRY**
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> The Baddi–Barotiwala–Nalagarh belt in Solan district is one of Asia's largest medicine manufacturing areas, with more than **350 pharmaceutical units**. A large number of them are approved by the American drug regulator and send their medicines to the United States. If a broad tariff is placed on Indian goods, the loss reaches factory workers in Solan, not only large companies in the cities.
>
> The state is also building a **Bulk Drug Park at Una**, one of only three approved in the country. Its success depends on Indian medicine exports continuing to sell abroad without obstacles.

The apple economy

Himachal's apples travel entirely by road, from the orchard to the local mandi and then to markets in Delhi and beyond, often in refrigerated trucks through hill terrain. When diesel becomes costlier, the cost rises at every stage of this journey. The grower cannot pass it on, so he receives a lower price. States with rail links do not face this problem to the same degree.

Tourism and state finances

Most visitors to Himachal come by road from Punjab, Haryana, Delhi and Chandigarh. Fuel prices directly influence whether a family decides to travel. A weak season affects taxi drivers, homestays and hotels together. At the same time, Himachal depends heavily on funds from the Centre, and national economic stress reduces the money available for state projects.

6. India's Response

The Ministry of External Affairs responded on **17 September 2026**. Its position had four parts.

- India is watching the developments closely.
- India will continue to ensure **energy security for its 1.4 billion people** by buying oil from many different countries according to market conditions.
- India has already raised this matter with senior American officials and explained the harm it can cause to relations between the two countries and to the world oil market.
- India will take all necessary steps to protect its trade and economic interests.

The choice of words matters. India defended its position on the ground of **affordable fuel for its own citizens**, not on the ground of friendship with Russia. This has been India's consistent stand since 2022 and is a useful line for a Mains answer.

7. Why the Tariff May Be Softer Than It Sounds

- Tariffs raise prices for American companies and consumers as well. This is politically difficult before the US elections in November 2026.
- The United States values its partnership with India and may prefer a limited approach rather than a blanket tariff.
- The law itself allows exemptions, relaxations and gradual application.

These reasons reduce the likelihood of the harshest outcome. They do not guarantee that India will be spared.

8. What India Should Do

- **Buy from more countries.** Spread purchases across West Asia, Africa, Latin America and the United States. The mistake to avoid is replacing dependence on one country with dependence on another.
- **Strengthen emergency oil stocks.** India's reserves can handle a short disruption but are small compared to other major economies. They buy time; they do not remove dependence.
- **Make refineries more flexible.** A refinery that can process many types of crude is protected whatever happens in world politics. Simply building more refining capacity does not help, because the oil still has to be imported.
- **Negotiate carefully.** Seek exemptions and more time, but do not accept unrelated trade concessions in exchange for temporary relief.
- **Reduce oil use itself.** Better public transport, electric vehicles, ethanol blending and green hydrogen are the only permanent solutions. Every other step only manages the problem.
- **Protect the weakest exporters.** Small and labour-intensive units, including Himachal's medicine cluster, need export credit support and help in finding new markets.
- **Keep decisions independent.** India should choose on the basis of its own interest and maintain relations with several powers, so that no single country can put decisive pressure on it.

Key Terms

Term	Simple Meaning
Tariff	A tax on imported goods. It is paid by the importer, not by the exporting country's government.
Sanctions	Restrictions on trade or money, used to force a country to change its behaviour.
Secondary sanctions	Pressure placed on a third country for dealing with the main target. This is the method used in this law.
Extraterritoriality	When one country applies its law to activity happening outside its own borders. This is India's main legal objection.
Strategic autonomy	The ability to take decisions in one's own national interest, without bending to outside pressure.
Current Account Deficit	When a country's payments for imports exceed its earnings from exports. A costlier oil bill widens it.
Strategic Petroleum Reserve	Emergency oil stored by the government for use during a supply crisis.
Bulk Drug Park	A cluster for manufacturing raw materials for medicines. Three approved: Una (HP), Bharuch (Gujarat), East Godavari (AP).

Exam Angle

Prelims — facts worth remembering

- The correct name includes **Iran**: Lindsey O. Graham Sanctioning Russia and Iran Act of 2026.
- Maximum tariff **100%**, applied to the top **five** buyers of Russian oil and gas.
- The five: **China, India, Türkiye, Slovakia, Hungary**. India is second.
- India imports about **90% of its oil**; Russia supplies about **half** of those imports.
- Bulk Drug Parks: **Una, Bharuch, East Godavari**.
- Common trap: import dependence (share of India's oil *need* met by imports) is different from Russia's share (share of India's *imports*). Two different things.

Mains — where to use this

- **GS-II:** Effect of policies of developed countries on India; India–US and India–Russia relations; strategic autonomy.
- **GS-III:** Energy security; inflation; export competitiveness; protection of small industry.
- **HPAS Mains:** Effect of national economic pressure on Himachal's medicine exports, apple transport costs, tourism and state finances.
- **Essay:** Sanctions are aimed at governments but the burden falls on ordinary people.

USEFUL PHRASES FOR ANSWER WRITING

energy security as a national priority · strategic autonomy under external pressure · trade is diverted, not destroyed · dependence created by a discount · diversification without new dependence

Conclusion

This law brings together three of India's weaknesses in one place: the need for affordable fuel, the need to keep exports competitive, and the need to take independent foreign policy decisions. The immediate danger is limited, because the law only creates a power and does not yet use it. The deeper lesson is harder. A discount accepted for three years has turned into a dependence that a foreign parliament can now price. India's real answer lies not in how well it negotiates this particular tariff, but in how quickly it reduces its need for imported oil, and in whether states like Himachal, whose factories sit at the far end of this chain, are protected in time.

MAINS PRACTICE QUESTION

"Economic sanctions have turned the purchase of oil into a test of a country's independence." Examine this statement with reference to India's response to the US sanctions law of 2026, and suggest steps to reduce India's dependence.

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