

The Trump administration's changing approach to Russian energy and international trade raises a larger question about American economic statecraft: can Washington continue to wield tariffs and sanctions as instruments of pressure when their domestic and diplomatic costs are becoming increasingly difficult to ignore?

For decades, the United States has relied on its economic dominance to influence the behaviour of other nations. Access to American markets, the international financial system and dollar-denominated transactions has given Washington considerable leverage over both allies and adversaries. Sanctions and tariffs have consequently become central instruments of American foreign policy, often presented as alternatives to direct military confrontation.

However, the limitations of this approach are becoming increasingly apparent. Washington's reported decision to ease restrictions on Russian diesel, even as it continues to advocate economic pressure on Moscow, illustrates the contradictions that arise when geopolitical objectives collide with domestic economic realities.

At the heart of the issue is a fundamental dilemma. Economic restrictions are intended to impose costs on their targets, but those costs rarely remain confined to the countries being punished. They travel through supply chains, energy markets, financial systems and trading relationships, eventually affecting the economy that imposed them.

The latest developments surrounding Russian energy have brought this dilemma into particularly sharp focus.

Russian Energy and the Limits of Economic Pressure

The proposed relaxation of restrictions under the Lindsey O. Graham Sanctioning Russia and Iran Act represents a significant departure from Washington's previously stated approach towards Moscow.

The legislation was intended to intensify economic pressure on Russia over the Ukraine conflict by expanding sanctions and imposing additional restrictions. Yet the administration's reported decision to invoke waiver provisions, alongside an arrangement permitting Russian diesel supplies, suggests that immediate energy-market considerations are influencing the implementation of those measures.

Under the reported arrangement, Russia would initially supply approximately 300,000 tonnes of diesel, with subsequent volumes rising to 500,000 tonnes in November and potentially reaching one million tonnes thereafter.

For an administration facing concerns over fuel prices and their political consequences, additional diesel supplies may offer some short-term relief. Whether the proposed volumes would be sufficient to significantly influence American fuel prices, however, remains uncertain.

The broader implications extend well beyond energy markets.

For years, Washington has argued that restricting Russian energy revenues is essential to reducing Moscow's capacity to sustain its military operations in Ukraine. Reopening channels for Russian energy purchases risks weakening that argument, particularly when European partners have been encouraged to bear substantial economic costs in pursuit of the same objective.

The contradiction is difficult to overlook. A commodity considered strategically unacceptable under one set of circumstances becomes economically desirable when domestic prices begin to rise.

Such reversals raise questions about the durability of American commitments and the extent to which sanctions can remain credible when their implementation depends on short-term

political calculations.

Why Sanctions Have Not Isolated Russia

The experience of Western sanctions against Russia demonstrates both the potential and the limitations of economic coercion.

Despite successive rounds of restrictions following the invasion of Ukraine, Russia has continued to export substantial volumes of crude oil through alternative markets and trading arrangements.

According to figures cited from the Centre for Research on Energy and Clean Air, Russian crude export volumes during the fourth year of the conflict remained approximately six per cent above pre-invasion levels.

This does not necessarily mean sanctions have failed altogether.

Restrictions on shipping, insurance, financing and market access have complicated Russian energy trade and contributed to discounted prices. The same research indicates that Russian crude revenues declined by approximately 18 per cent to €85.5 billion over the year preceding February 24, compared with the previous year.

Nevertheless, Moscow has adapted.

The expansion of so-called shadow fleets, complex ownership arrangements, ship-to-ship transfers and alternative trade routes has enabled Russian oil to continue reaching international buyers.

These developments reveal an important distinction between restricting a country's access to

markets and preventing its participation in global commerce altogether.

In an interconnected international economy, major commodity exporters are difficult to isolate completely, particularly when demand for their products remains strong.

The effectiveness of sanctions therefore depends not simply on their severity, but on sustained international coordination, enforcement and political consistency.

When the countries imposing restrictions begin creating exceptions for their own economic requirements, the incentive for targeted states to make concessions may diminish.

The Diplomatic Cost of Changing Course

The consequences of Washington's reported policy reversal are particularly significant for its transatlantic relationships.

European governments have faced considerable economic and political pressures while reducing their dependence on Russian energy. Adjusting energy infrastructure, securing alternative suppliers and managing higher costs have required substantial investments.

A unilateral American accommodation with Moscow could consequently be interpreted as an uneven distribution of the burdens associated with collective sanctions.

Ukrainian President Volodymyr Zelensky has reportedly criticised the easing of Russian diesel restrictions, arguing that revenues from energy exports ultimately contribute to Moscow's military capabilities.

European officials have similarly expressed concern that renewed purchases of Russian energy could undermine the broader objective of maintaining pressure on the Kremlin.

For Washington, this presents a challenge extending beyond the immediate question of Russian fuel supplies.

Economic sanctions derive much of their effectiveness from the willingness of multiple countries to implement them simultaneously. If participating governments begin prioritising separate domestic interests, the collective pressure weakens.

More importantly, policy unpredictability can encourage allies to reassess their long-term dependence on American leadership.

International partnerships are sustained not only through formal agreements but also through confidence that commitments will remain reasonably consistent across changing political circumstances.

Repeated reversals risk undermining that confidence.

Tariffs and the Rising Cost at Home

A similar contradiction is visible in Washington's use of import tariffs.

The Trump administration has consistently presented tariffs as a mechanism for protecting American industries, encouraging domestic manufacturing and reducing dependence on foreign suppliers.

Yet tariffs operate through a relatively straightforward economic mechanism: they increase the cost of imported goods.

Although foreign exporters may absorb part of that burden through lower prices, a substantial share can be passed on to American importers, manufacturers and consumers.

The consequences are particularly significant for industries that depend on globally integrated production networks.

An American manufacturer importing machinery, electronic components or industrial materials may face higher production costs even when its finished products are assembled domestically.

These additional expenses can reduce competitiveness, squeeze business margins or translate into higher consumer prices.

Research figures cited from the Federal Reserve Bank of New York suggest that tariffs introduced during 2025 and 2026 contributed an estimated 2.9 percentage points to inflation across a selected basket of 67 everyday consumer products.

Separately, the Tax Foundation estimated an average household tariff burden of approximately \$820 in 2026.

Such estimates highlight the distributional consequences of trade restrictions. While selected domestic industries may benefit from reduced foreign competition, households and businesses elsewhere in the economy may bear substantial costs.

The challenge becomes more complicated when tariff policies are frequently revised, challenged in court or replaced with new measures.

Businesses planning investments over several years require a reasonable degree of certainty about future input costs, market access and regulatory conditions.

An unpredictable tariff environment can discourage precisely the long-term investment that protectionist policies are intended to attract.

Trade Deficits Cannot Be Corrected by Tariffs Alone

Another important question concerns the relationship between tariffs and America's persistent trade deficit.

One of the principal arguments supporting higher import duties has been that restricting foreign goods would reduce the trade imbalance and encourage domestic production.

However, trade deficits are influenced by a much wider range of economic forces, including national savings, investment patterns, consumer demand, exchange rates and capital flows.

Tariffs may alter the geographical composition of imports without substantially changing the overall balance.

For example, companies seeking to reduce their exposure to tariffs on Chinese products may relocate sourcing to Vietnam, Mexico, India or other manufacturing centres.

While this diversifies supply chains, it does not necessarily result in a corresponding expansion of production within the United States.

The source material cites a reported American trade deficit of approximately \$106 billion, alongside a federal deficit approaching \$1.992 trillion in 2026.

These figures underline the need to distinguish between trade policy and the broader structural conditions shaping the American economy.

Import restrictions alone cannot resolve imbalances arising from domestic consumption, investment requirements and fiscal policy.

Indeed, when tariffs raise production costs or provoke retaliation against American exports, they may create additional economic pressures.

The fiscal consequences of legal challenges to tariff measures also illustrate the risks of relying on uncertain trade-policy instruments. The supplied estimates refer to substantial refund liabilities following judicial intervention, as well as longer-term budgetary consequences.

Taken together, these developments suggest that tariffs are an imperfect substitute for a comprehensive industrial and economic competitiveness strategy.

The Problem Is Not Economic Power, but Its Application

None of these developments establishes that tariffs and sanctions are inherently ineffective.

Both instruments can serve legitimate strategic purposes.

Targeted sanctions can restrict access to critical technologies, financial networks and military-related supplies. Carefully designed tariffs can provide temporary support to strategically important industries or respond to unfair trade practices.

Their effectiveness, however, depends on how they are integrated into wider economic and diplomatic objectives.

A sanctions regime without clearly defined conditions for relief risks becoming an indefinite exercise in punishment rather than a mechanism for changing behaviour.

Similarly, broad tariffs imposed without complementary investment in infrastructure, technology, skills and manufacturing capacity may raise costs without delivering lasting

industrial gains.

The central weakness in Washington's current approach appears to be the gap between ambitious political declarations and the practical requirements of implementation.

Economic coercion cannot operate independently of energy security, domestic inflation, industrial competitiveness and alliance management.

Each of these considerations influences the others.

When policymakers attempt to pursue conflicting objectives simultaneously, the resulting compromises can weaken the effectiveness of every individual measure.

A Changing International Economic Order

The implications are also significant for the wider international system.

Countries observing repeated changes in American trade and sanctions policy may increasingly seek to diversify their commercial relationships, payment mechanisms and supply chains.

For emerging economies, including India, such developments reinforce the importance of maintaining strategic flexibility in energy procurement, international trade and financial arrangements.

India's experience illustrates the complexity of navigating competing geopolitical and economic considerations. As a major energy importer with extensive commercial relationships across multiple regions, New Delhi must balance affordability, supply security and diplomatic interests.

A more fragmented global trading environment could create opportunities for alternative manufacturing centres, but it would also introduce greater uncertainty into investment and supply-chain decisions.

The broader risk for Washington is that excessive or inconsistent reliance on economic restrictions may encourage other countries to develop arrangements that reduce their exposure to American policy decisions.

Such adjustments would not necessarily displace the central role of the United States in international finance and commerce. However, they could gradually reduce the effectiveness of economic pressure as a diplomatic instrument.

The Need for a More Durable Strategy

For American policymakers, the lesson is not to abandon tariffs or sanctions, but to establish clearer objectives and apply these instruments more consistently.

Pressure on Russia would be more credible if restrictions were coordinated with allies, enforcement gaps were addressed and the conditions for sanctions relief were explicitly linked to measurable diplomatic outcomes.

Likewise, an effective industrial policy would require more than increasing import duties. It would need sustained investment in domestic productive capacity, research, infrastructure, workforce development and reliable international partnerships.

Energy security, meanwhile, requires diversified supply sources and long-term planning rather than repeated adjustments driven by immediate price pressures.

Ultimately, the effectiveness of economic statecraft depends on the credibility of the country

employing it.

The United States continues to possess extraordinary financial, technological and commercial advantages. Yet those advantages do not automatically translate into unlimited diplomatic leverage.

When sanctions are introduced with considerable political force but relaxed as soon as their economic costs become inconvenient, adversaries may conclude that patience is a more effective response than compromise.

When tariffs promise industrial revival but impose substantial costs on domestic producers and consumers, the distinction between economic protection and economic self-harm becomes increasingly difficult to sustain.

Washington's challenge, therefore, is not merely to demonstrate that it has the power to impose restrictions. It must demonstrate that those restrictions advance clearly defined objectives at an acceptable cost.

Economic strength becomes strategic influence only when it is exercised with consistency, credibility and an understanding of its consequences. Without those qualities, the instruments intended to compel others may ultimately constrain the country wielding them.