

India takes a leaf out of history, practices strategic autonomy

BALANCING ACT. Between Trump's tariffs and Putin's crude, New Delhi navigates a fractured world order

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The year 2025 has proved to be one of the toughest for India on the diplomatic and economic front with policy makers striving to strike a balance between rival powers on the global stage while safeguarding the country's sovereignty, economic interests and sensitivities.

The primary challenge was handling the unpredictability of US President Donald Trump, who assumed office for a second term in January. While Trump had hinted at imposing high tariffs on economies he perceived as short-changing the US, New Delhi was not fully prepared for the severity of his actions.

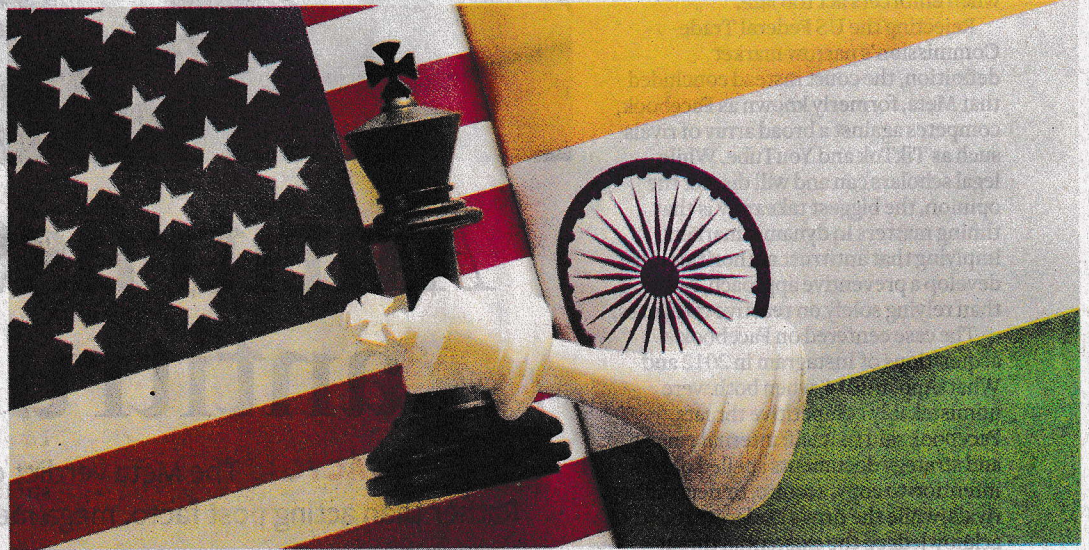
India was singled out for its economic and diplomatic closeness with Russia, a historical ally currently engaged in the Ukraine war. In late August, Washington imposed steep 50 per cent import duties on most Indian goods.

This included a 25 per cent penalty specifically for purchasing discounted Russian oil. With US exports totalling approximately \$86.5 billion in FY25 — nearly a fifth of India's total — the move was ominous.

STRADDLING TWO BOATS

But India did not blink. It chose to stick firmly to the tried and tested path of non-alignment and sovereignty and refused to stop its oil purchases from Russia while continuing to remain cordial and economically pragmatic with the US.

It has stayed continuously engaged with the US trying to work out a bilateral trade deal that would satisfy Washington by providing enough market access for American industry and lead to a roll back of the steep duties on Indian goods.



US AND THEM. The primary challenge was handling the unpredictability of US President Donald Trump, who assumed office for a second term in January ISTOCKPHOTO

However, the trade negotiations, too, are rocky as the US wants market access for its genetically modified soya and corn and certain meat and dairy items, that are highly sensitive in the Indian context. New Delhi, so far, has stayed firm on its redlines but flexible in other areas and is hopeful of a resolution.

Interestingly enough, Indian exporters, too, have shown resilience and guts by trying to continue to sell in the American market to the extent possible while looking for opportunities in other markets.

Despite the global upheaval, India's overall goods exports have not dipped this fiscal so far. In the April-November 2025 period, exports posted a 2.6 per cent increase (year-on-year) to \$292.1 billion. Officials and exporters are both optimistic that FY26 would end on a positive note as efforts to diversify continue.

The Export Promotion Mission, which is re-introducing two popular incentive schemes — the in-

terest equalisation scheme and the market access initiative — is expected to provide some much needed succour.

Simultaneously, India is working on maximising opportunities in multiple markets, so as not to stay overly dependent on just a few. The year 2025 witnessed implementation of India's FTA with the EFTA bloc including Switzerland, Norway, Iceland and Liechtenstein; finalisation of an FTA with the UK (to be implemented next year); fast-tracking of ones with the EU, Chile and Peru, and initiations of negotiations with New Zealand and Canada.

STAND ON EXPORTS, GAZA

India also remained neutral on the Israel-Palestine war. By sticking to its original stance of supporting a two-state solution, India has managed to remain close to Israel while not alienating Islamic nations.

It is evident in the fact that the India-Oman FTA is almost ready

to be signed while FTA talks with Israel, too, have been initiated. With Russia, too, India is hoping to multiply its exports, which are abysmally low, as Moscow is keen to use up the rupee balance accumulated in its vostro accounts as payment for oil.

While India played a difficult hand astutely in 2025, 2026 promises further hurdles. Washington has yet to make up its mind on the terms for tariff reduction.

The EU remains firm on its Carbon Border Adjustment Mechanism (CBAM) and other regulatory hurdles. The EFTA FTA and the one with the UK are yet to prove their worth. Bridging the trade deficit with Russia may not be easy, despite Moscow's promises. Plus, there is no knowing what China, which is still making India kick, scream and beg for its rare earth magnets, would have up its sleeve.

For India, 2026 will not be a year to rest. It will be a year to stay sharp and alert, even more than before.