

The first part of the year-end series looks at how global conflicts, technological disruptions, and economic realignments shaped India's choices this year

# *The year the world wobbled, and India adjusted*

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World events dominated, like never before, the front pages of newspapers in 2025: From the wars in Gaza and Ukraine to Donald Trump's tariffs and the turmoil in Bangladesh. So did the Pahalgam terror attack on April 22 and the subsequent Operation Sindoor. Yet the most searched word globally this year was "Gemini", Google's AI platform, underscoring the rise of artificial intelligence (AI) worldwide.



In India, too, AI emerged as a central theme, with Gemini, Google, and ChatGPT competing with cricket and Bollywood in search trends. Reflecting this shift, Time named the "Architects of AI" as its 2025 Person of the Year.

## **Negotiating geopolitics**

While experts and analysts agree that AI firmly established itself as a technology of the present in 2025, they



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also point out that other developments shaping India's trade, economy, and geopolitical positioning over the year cannot be ignored.

Naushad Forbes, co-chairman of industrial machinery and manufacturing firm Forbes Marshall, and former president of the

Confederation of Indian Industry, describes the Centre's reforms as a turning point: "The recent reforms — implementing the four labour Codes passed six years ago, and changes limiting liability while allowing private-sector participation in the nuclear industry — are both welcome moves."

India, he says, must use its current challenges, including geopolitical hurdles such as US tariffs, to sustain the reform momentum. This would require restarting the long-paused privatisation process, addressing agricultural markets, effectively implementing the potentially transformative Anusandhan National Research Foundation, and Research Development and Innovation schemes, and finally reducing state intervention in the education sector.

With the trade deal with the US pending and President Trump keeping matters on hold, opportunity in a time of crisis appears to be the way forward.

Dinesh Arora, partner and advisory leader at PwC India, echoes this view: "While most major economies found themselves constrained in 2025, compelled to align decisively with one camp or another, India adopted a distinctly different approach — what we

describe as multi-aligned realism." Faced with a sudden and significant external trade disruption, India chose pragmatism over escalation, he points out. "While Europe and East Asia were doubling down on rigid alliance blocs, we kept our options open," he says. "India has really become the functional bridge between the North and the South. We aren't just talking about leadership; we're actually exporting solutions — like the UN Global Capacity-Building

Initiative we launched in August." The proof, he adds, lies in the numbers: Despite global energy turmoil, India managed to keep domestic inflation lower than most G20 peers.

Forbes elaborates that moving away from an overreliance on the relationship with the US is a welcome shift. "For too many years, in both foreign and trade policy, we have over-indexed on the India-US relationship.

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Other key relationships — with Europe, Japan, South Korea, Singapore, Indonesia, and other parts of Asia — have been relatively neglected." These, he says, are now finally getting the attention they need, both in trade and foreign affairs. "This needs to continue, regardless of whether the US relationship settles in a better place or not."

The recent decision to sign a trade pact with New Zealand, and to do so swiftly, may be a telling sign of this change in approach.

## Up in the air

Even as global trade and geopolitics kept attention firmly engaged, several crises unfolded closer home — both in the skies and on the ground. The Air India Boeing Dreamliner crash en route to London on June 12, killing all passengers except one, along with several people on the ground shortly after take-off from Ahmedabad airport, will remain among the saddest memories of 2025. The investigation report is still awaited, six months after the crash.

While the cause remains unknown, another aviation crisis added to the uncertainty. Earlier this month, IndiGo, which holds a dominant market share, cancelled hundreds of flights over several days, throwing passengers into disarray amid a pilot shortage following the introduction of new aviation rules increasing mandatory rest hours. Multiple probes are under way to ascertain the reasons behind the chaos, even as the regulator, the Directorate General of Civil Aviation (DGCA), has relaxed the deadline for enforcing the new norms.

An aviation expert, speaking on condition of anonymity, says, "All

parties concerned are responsible for the IndiGo chaos." The airline, he says, assumed it could outmanoeuvre the regulator. According to him, the shortage may not have been severe enough to justify such large-scale disruption. "It boomeranged to their discomfort." He also faults the DGCA, which he describes as efficient at framing regulations but ambivalent about enforcement, and adds that the ministry reacted only once the situation escalated into a major public and political issue.

All this while, there was something in the air that was unmistakably wrong. Air quality index (AQI) levels — among the most closely watched metrics today — sent air purifier sales soaring. With the capital and surrounding areas bearing the brunt of rising AQI levels, activists and health advisory groups ensured the political establishment took note.

In a conversation with this writer, K Srinath Reddy, founder president of the Public Health Foundation of India, points out that health harms from air pollution result from high levels of exposure throughout the year, with sharp exacerbation in the last quarter. "Attention and attempted actions cannot be limited to seasonal posturing and calendared concerns," he says. Reddy argues for an integrated, multi-agency action plan to reduce emissions and exposure from vehicular and industrial sources, construction dust, and biomass burning, alongside public health measures to protect vulnerable populations.

Former IPS officer Kiran Bedi, who has been vocal on pollution, believes air quality has reached alarming levels over the past two decades, deteriorating year after year. While it is difficult to pinpoint when thresh-

olds for adverse health consequences were crossed, she says 2025 marks the limit of public tolerance. "It has reached policymakers and lawmakers to think of measures to resolve it," she says. "Perhaps it has sent out the loudest alarm bells collectively — to government authorities as well as all contributors. But the momentum now needs to be sustained by the people to reverse this health crisis."

## The old and the new

Turning to another crisis of 2025 — this one within India's largest business conglomerate.

R Gopalakrishnan, industry watcher, commentator, author and a long-time Tata insider, explains what the group represents despite recent differences within Tata Trusts, the largest shareholder in Tata Sons, the holding company of the salt-to-semiconductor conglomerate. Responding to a question on how the reported infighting at Tata Trusts might play out, Gopalakrishnan says, "I do not believe that the recent differences will have any adverse impact on the inherent values that the Tatas stand for — certainly not in the long term."

On the Tata brand in particular, he adds, "I cannot assess what the damage to the brand is in the short term." Drawing on past episodes — ranging from telecom disputes and Tata Finance to contested acquisitions — he says the Tata brand has "got immunised to some extent from predatory attacks over a century-and-a-half of resilience, thanks to its rich culture. I hope that such resilience would stand up to any near-term tests."

Speaking of near-term tests, those were not in short supply. Rapid strides

in AI during 2025 came with their own set of concerns: Whether high-dollar investments would yield commensurate returns; how the power and water demands of AI data centres could strain resources; and whether millions of jobs could be displaced? For now, however, India is witnessing strong interest from global players. Amazon, Microsoft, and Google have collectively committed more than \$65 billion towards AI and allied areas in India over the past few months. Against this backdrop, what is the government's stance on AI?

Responding to *Business Standard* queries, S Krishnan, secretary in the Ministry of Electronics and Information Technology (MeITY), says, "India is uniquely positioned to harness the benefits of AI for ensuring the welfare of all, given its robust AI-ready workforce, digital public infrastructure, access to large datasets, a thriving startup ecosystem, and ease of innovation." Krishnan explains that after the Unified Payments Interface (UPI) and Aadhaar, the government aims to carry the success story forward through AI via the IndiaAI Mission. As the new year approaches, India is preparing to host one of the biggest AI summits, to be held in New Delhi on February 19 and 20. "Anchored in the Prime Minister's vision of People, Planet, and Progress, the summit will mark a transition from 'action' to measurable 'impact' in global AI cooperation," he says.

There was one cooperation, however, that was not to be. And it triggered a rare earth shortage, particularly of magnets used in electric vehicles, driven by China's near-monopoly on processing and tightened export controls. The resulting supply constraints for India

exposed critical vulnerabilities in green technology value chains.

## From market to economic engine

As 2025 draws to a close — after delivering moments of national pride such as the Women's World Cup cricket win and Group Captain Shubhanshu Shukla's successful space journey — it is time to look ahead, but not before taking stock of the year's gains.

"If I had to pin it down, the real story of 2025 is that India officially stopped being a 'market of the future' and started acting as the world's primary economic engine," says Arora of PwC India. Overtaking Japan and Germany to become the fourth-largest economy was a major milestone, he says, but what truly stood out was the pace of growth — clocking close to 8 per cent even as much of the world slowed. "For me, the standout success is how we've turned our digital public infrastructure into our most powerful export. We aren't just sending aid anymore; we're exporting the India Stack," he says.

Looking ahead, KM Chandrasekhar, cabinet secretary from 2007 to 2011 under Prime Minister Manmohan Singh, says India must build on its current policy of strengthening the domestic economy on both the supply and demand sides. The corporate sector, he adds, must invest more heavily in research and development. Efforts should focus on strengthening technical education, expanding into new global markets, and closely tracking global trends in trade and investment. "With a flexible policy framework," he says, "India should be able to move quickly as conditions change." And changing they are, rapidly.