

The great trade balancing act

Not just Trump, his closest aides — including Treasury Secretary Scott Bessent (“India fuelling Russian war machine”), Commerce Secretary Howard Lutnick (“We need to fix India”), US Trade Representative Jamieson Greer (“India tough nut to crack”), and White House Trade Advisor Peter Navarro (“Brahmins profiteering off Indian people”; “India is maharaja of tariffs”) — also regularly attacked India’s trade practices.

Race for FTAs

One lesson India learnt the hard way in 2025 was the danger of excessive dependence on the US market. The US accounts for roughly one-fifth of India’s total exports. With 55 per cent of Indian goods exports to the US hit by the 50 per cent tariff, shipments to America contracted sharply in key labour-intensive sectors such as gems and jewellery, readymade garments, auto components, and marine products. However, the headline numbers were partially cushioned by a surge in iPhone-led electronics exports, and petroleum products.

The growing unreliability of India’s largest export destination triggered a visible shift in strategy, and the country moved quickly to diversify its markets. Trade negotiations were fast-tracked and deals concluded with the United Kingdom, Oman, and New Zealand. The Trade and Economic Partnership Agreement with the European Free Trade Association came into force on October 1.

The Russia challenge

After the Ukraine war broke out in February 2022, India had sharply ramped up purchases of discounted Russian crude, which, at its peak, accounted for 35 per cent of the country’s oil imports in the 2024-25 finan-

cial year (FY25) — up from about 2.5 per cent before the war began. During the April-November period in FY25, Russia became India’s third-largest source of imports, rising from its 20th position in FY22. However, with a 25 per cent additional tariff imposed by the US for buying Russian crude oil, and the subsequent sanctions on major Russian oil companies Rosneft and Lukoil, starting October 2025, India’s imports from the country fell to 32 per cent in the April-October 2025 period.

Even so, New Delhi sent a clear geopolitical signal: It would not abandon a time-tested partner under western pressure. India hosted Russian President Vladimir Putin earlier this month, with both sides agreeing to a joint “Programme for Economic Cooperation” until 2030, targeting bilateral trade of \$100 billion, though details of the programme remain scarce. India has, meanwhile, signed terms of reference for a trade deal with Eurasian countries led by Russia, although formal negotiations are yet to begin. India hopes Russia will deliver on its promise to dismantle non-tariff barriers, enabling higher Indian exports to narrow the current \$59 billion trade deficit.

Reading the tea leaves

While Trump’s decision to exempt electronic items and generic drugs from reciprocal tariffs helped keep India’s overall exports momentum positive, disaggregated data and ground reports suggest significant stress on labour-intensive small and medium enterprises. A prolonged delay in sealing a US trade deal could show up in macroeconomic indicators. While Chief Economic Advisor V Anantha Nageswaran has said he would be surprised if an India-US deal is not sealed by March, trade min-

ister Piyush Goyal’s remarks that there was no hard deadline, added to the uncertainty.

With the US trade deal in limbo, India would like to close the long-pending trade pact with the European Union quickly. European Commission President Ursula von der Leyen and European Council President António Costa are set to be chief guests at the 2026 Republic Day celebrations in New Delhi. This will be followed by the annual India-EU summit on January 27. Goyal’s scheduled visit to Brussels on January 8-9 is likely to prove decisive for a trade deal, though contentious issues such as the Carbon Border Adjustment Mechanism pose major hurdles.

Meanwhile, the World Trade Organisation (WTO), already on a decline, lost most of its sheen after Trump’s reciprocal tariffs. However, a formal proposal by the US to dismantle the most-favoured-nation obligation of member countries, which ensures a uniform and non-discriminatory tariff regime, means America wants to legalise its reciprocal tariffs under the guise of WTO reforms. With the 14th ministerial meeting of the multilateral trade body scheduled to be held in Yaoundé, Cameroon, from March 26 to 29 next year, members will have their last chance to preserve the rules-based multilateral trading system in its original form.

For India’s trade policy, 2025 was a baptism by fire. The country proved it could absorb a massive protectionist blow from its largest trading partner, while simultaneously opening its doors to other markets. The strategy for 2026 is unmistakable: Insulate against US unpredictability by deepening integration with the rest of the world, while doubling down on domestic policy reforms to turn the ‘Make in India’ lion into a global export tiger.