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**INDIA'S EVOLVING GLOBAL TRADE  
STRATEGY IN MULTI-POLAR WORLD**

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## INDIA'S EVOLVING GLOBAL TRADE STRATEGY IN MULTI-POLAR WORLD

### Context

- India's recent global trade strategy marks a decisive **shift from cautious regionalism to proactive global integration**, and it aims to position itself as a leading global trade partner while maintaining strategic autonomy.

### India's Evolving Global Trade Strategy

- The global order is **transitioning from a unipolar or bipolar system to a multi-polar world**, marked by the rise of China, resurgence of Russia, strategic autonomy of middle powers, and shifting global supply chains.
- India's evolving global trade strategy reflects a calibrated effort to balance **economic integration, strategic autonomy, and geopolitical flexibility**.
- India is repositioning itself not merely as a trading nation but as a **system-shaping power** in global commerce.

### Multi-Polar World Environment

- A multi-polar trade environment is characterised by fragmented supply chains, geoeconomic competition (US – China rivalry), rise of trade blocs and strategic alliances, weaponisation of trade and technology, and shift towards friend-shoring and China+1 strategies.
- India's trade policy needs to operate within this dynamic geopolitical landscape.

### Key Features of India's Evolving Trade Strategy

- Strategic Autonomy as the Core Principle:** India's trade approach reflects its long-standing doctrine of **Strategic Autonomy**:
  - Engaging with the U.S., EU, and Western economies.
  - Maintaining energy and defence ties with Russia.
  - Expanding influence in the Global South.
  - Active participation in QUAD, BRICS, G20, IPEF.
    - Trade agreements are increasingly used as instruments of strategic balancing rather than merely economic arrangements.
- Shift from Defensive to Proactive Trade Policy:**
  - Earlier Approach:** Cautious engagement in FTAs; focus on economies at similar development levels; and limited exposure to developed markets.
  - New Approach:** Aggressive and strategic FTA negotiations; engagement with advanced economies; and integration into Global Value Chains (GVCs).
    - India's FTA coverage is projected to increase from **22% (2019)** to nearly **71% of its export basket by 2026**.
  - Strategic Shift:** From regionalism to global integration; diversification of trade partners; and balancing economic openness with strategic autonomy.
- Engagement with Major Power Blocs:**
  - European Union:** Comprehensive FTA reduces tariffs on 90% of goods; boost to textiles, pharmaceuticals, marine products; regulatory convergence and digital trade expansion; enhances India's competitiveness against ASEAN exporters.
  - United States:** Interim reciprocal trade framework (2026); focus on semiconductors, rare earths, electronics; and strengthening high-tech supply chains.
  - West Asia (UAE):** Strengthening CEPA; gateway to Africa and Europe; and energy-security-trade nexus.
  - Indo-Pacific & QUAD Framework:** Supply chain resilience initiative, maritime trade security, and emerging tech collaboration.
- Trade as a Tool of Geoeconomics:** In a multi-polar world, trade is no longer neutral. India uses trade agreements to diversify export destinations, reduce overdependence on China, secure critical minerals and energy routes, enhance diplomatic influence, and shape global standards in digital trade and sustainability.

- **Integration into Global Value Chains (GVCs):** India's strategy focuses on Production Linked Incentive (PLI) schemes, infrastructure development (PM Gati Shakti), logistics reforms, and digitisation of trade procedures.
  - ◆ Sectors targeted electronics, semiconductors, pharmaceuticals, defence manufacturing, and renewable energy components.

### Strategic Dimensions of India's Trade Policy

- **Access to Advanced Markets:** Preferential access to EU and U.S. markets; boost to labour-intensive sectors; and MSME integration into GVCs.
- **Integration into Global Value Chains:** Reduced tariffs on intermediate goods; lower production costs; and strengthening sectors like electronics, pharmaceuticals; IT & services.
- **Strategic Diversification:** Agreements across continents; reduced dependence on a single geography; and enhanced supply chain resilience.
- **Diplomatic Leverage:** Trade as an instrument of strategic influence; greater role in shaping global trade norms; and strengthened position in global economic governance.

### Foreign Trade Policy (FTP) 2023: Vision 2030

- In 2023, India updated its **Foreign Trade Policy (FTP)** with a target of achieving **\$2 trillion in exports (goods and services) by 2030**.
- **Key Highlights:**
  - ◆ Shift from incentive-based regime to remission-based regime.
  - ◆ Focus on ease of doing business and digitisation.
  - ◆ Promotion of districts as export hubs.
  - ◆ Emphasis on MSME integration into global markets.
- As per the **Department of Commerce's 2025 Year-End Review**, India's total exports grew by **6.05% annually**, reaching **\$825.25 billion**, reflecting resilience amid global economic uncertainty.

### Link with Atmanirbhar Bharat and Viksit Bharat

- After opting out of the **Regional Comprehensive Economic Partnership (RCEP)**, India adopted a calibrated strategy:
  - ◆ Boost domestic manufacturing through Production Linked Incentive (PLI) schemes, and Infrastructure expansion.
  - ◆ Simultaneously expand external integration through FTAs.
- It reflects strategic autonomy, competitive integration, and export-led growth.

### Key Challenges

- **Global Trade Fragmentation:** Rise of protectionism and economic nationalism; trade blocs based on geopolitical alignments; and weakening of WTO dispute settlement mechanism.
- **Geopolitical Rivalries (U.S.–China Tensions):** Pressure to align with competing power blocs; risks of supply chain disruptions; and strategic balancing between QUAD, BRICS, SCO.
- **Trade Deficit & Import Dependence:** Heavy dependence on imports of electronics components, critical minerals, energy resources, and vulnerability to currency fluctuations and external shocks.
- **Carbon Border Adjustment Mechanism (CBAM):** EU's carbon tax on imports may affect steel, aluminium, and cement. Compliance costs may hurt MSMEs.
- **Domestic Structural Constraints:** Logistics inefficiencies, skill gaps in high-tech manufacturing, regulatory and compliance burdens, and limited MSME global competitiveness.
- **Overdependence Risks:** Risk of overreliance on Western markets; need to avoid replicating China-style export concentration.

### Way Forward

- **Deepening Manufacturing Competitiveness:** Strengthen PLI schemes; promote R&D and innovation ecosystems; and invest in semiconductor and critical mineral security.

- **Diversification of Trade Partners:** Expand engagement with Africa, Latin America, ASEAN, and Global South; Promote South-South cooperation.
- **Strengthening Global Value Chain Integration:** Improve logistics via PM Gati Shakti; enhance port connectivity and digital customs; and encourage cluster-based export ecosystems.
- **Green & Sustainable Trade Transition:** Invest in renewable energy; develop green hydrogen exports; and align domestic standards with global sustainability norms.
- **Institutional Reforms:** WTO reform advocacy; strengthen trade negotiation capacity; and improve dispute resolution mechanisms.
- **MSME Integration:** Export credit expansion, digital platforms for small exporters; and skill development for export-oriented sectors.
- **Strategic Vision:** India needs to adopt a **'Multi-Alignment Trade Strategy'** and engage all major poles, avoid overdependence, use trade as an instrument of geoeconomic power, and balance protection with competitiveness.

Source: TH

### Daily Mains Practice Question

[Q] In a rapidly evolving multi-polar world, India's global trade strategy reflects a shift from cautious protectionism to calibrated global integration. Examine the drivers of this shift and analyse its implications for India's economic and strategic interests.

