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# Reconfiguring Strategic Autonomy in a Multipolar World

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## Abstract

*The global trading system has entered a phase of fragmentation marked by protectionism, geopolitical rivalry, and weakening multilateralism. Since 2014, India under Narendra Modi has recalibrated its trade policy to preserve strategic autonomy while deepening engagement with major economies. This paper analyses India's trade relations with the United States, United Kingdom, European Union, Gulf countries, Russia, China, and ASEAN during the Modi government. Using recent trade data, tariff developments—including the latest 18 percent US tariff regime—and geopolitical trends, the study argues that India has shifted from preferential liberalism to negotiated, interest-based trade diplomacy. The paper demonstrates that strategic autonomy in a multipolar world is increasingly exercised through diversification, tariff resilience, and calibrated engagement rather than alignment or isolation.*

***Keywords**: Strategic Autonomy, Multipolarity, India Trade Policy, Tariffs, Modi Government.*

## Introduction

The post–Cold War liberal trade order is undergoing significant transformation due to rising protectionism, geopolitical rivalry, and economic nationalism. In this evolving multipolar context, states increasingly prioritize national interest over multilateral trade norms. For India, the challenge has been to integrate with global markets while retaining strategic autonomy—defined as the capacity to make independent economic and political decisions.

Since 2014, India's external trade policy has reflected this balancing act. Rather than pursuing deep alignment with any single power bloc, India has expanded trade engagement across multiple regions. This paper explores how India has reconfigured its strategic autonomy through trade relations during the Modi government.

### India–United Kingdom Trade Relations: Post-Brexit Strategic Space

trade relations have undergone a notable transformation shaped by post-Brexit realignments and India's evolving global trade strategy. The United Kingdom occupies a significant but secondary position among India's trading partners, consistently ranking within the top ten destinations for Indian exports, though behind the United States and China in absolute volume.

In 2024, India's merchandise exports to the UK were close to USD 14 billion, while imports from the UK were comparatively moderate, resulting in a relatively balanced trade relationship, particularly when services are taken into account. This distinguishes the UK from partners such as China, where India faces a persistent and widening trade deficit. India's export basket to the UK is diversified, comprising engineering goods, textiles and garments, pharmaceuticals, gems and jewellery, automotive components, and refined petroleum products, whereas imports largely include capital goods, specialised machinery, chemicals, defence-related items, and advanced professional services. A defining feature of bilateral trade is the strong services dimension, with the UK serving as an important market for Indian IT,



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software, fintech, and consultancy services, while British firms supply financial and business services to the Indian economy. The UK's exit from the European Union created fresh negotiating space, enabling India to pursue improved market access without binding itself to rigid regulatory frameworks. The conclusion of a bilateral trade agreement in 2025 further institutionalised this engagement by promoting tariff rationalisation, services mobility, and investment cooperation. For India, the partnership offers scope for services-led export expansion, deeper integration into UK supply chains, and diversification away from over-dependence on any single market. At the same time, regulatory standards and compliance costs remain constraints.

**India–European Union Trade Relations: Diversification and Regulatory Negotiation**

India's recent free trade agreement with the European Union, concluded on 27 January 2026, represents the culmination of nearly two decades of negotiations that began in 2007 and were repeatedly stalled by disagreement over market access, regulatory standards, and sensitive sector protections. Historically, the EU has been India's largest goods trading partner, with bilateral merchandise trade reaching USD 136.53 billion in 2024–25, comprising exports of USD 75.85 billion and imports of USD 60.68 billion, and a services trade of approximately USD 83.1 billion; India recorded an overall trade surplus of about USD 15.17 billion with the EU in that period. Previous rounds of talks failed because the EU pushed for deeper liberalization of access for its industrial and agricultural products while India sought to safeguard its domestic industries, maintain regulatory autonomy, and avoid liberalizing sectors considered sensitive, such as rice, sugar, and certain agricultural goods. Renewed momentum emerged from high-level political engagement after 2020 — including the "India-EU Strategic Partnership: A Roadmap to 2025" and frequent leadership dialogues — which helped both sides reframe the agreement in terms of mutual growth opportunities rather than unilateral concessions. Geopolitical developments, such as shifting global supply chains, rising tariff pressures elsewhere, and shared concerns over over-dependence on single markets also encouraged both parties to accelerate talks. The resulting deal is ambitious: it eliminates or reduces tariffs on over 96 % of EU goods by value entering India, and provides preferential access for nearly all Indian exports, including textiles, leather, footwear, and marine products — sectors that together represent several tens of billions of dollars in trade value. While sensitive agricultural items and strict EU regulatory measures remain excluded, the comprehensive pact positions the EU not only as India's largest trading bloc partner but also as a key anchor in India's strategy to diversify exports, integrate into global value chains, and reinforce its strategic autonomy in a multipolar trading environment.

**India–Gulf Countries: Energy, Remittances, and Stability**

Trade with the Gulf countries is of central importance for India because it directly affects energy security, foreign exchange flows, and macroeconomic stability. In 2023–24, India's total trade with the Gulf region exceeded USD 240–250 billion, making it one of India's largest regional trading blocs. India's exports to Gulf countries were approximately USD 85–90 billion, while imports stood at around USD 155–160 billion, resulting in a merchandise trade deficit of nearly USD 65–70 billion, largely driven by crude oil and natural gas imports. Among individual partners, the United Arab Emirates is India's third-largest trading partner, with bilateral trade of about USD 85 billion, where India's exports (around USD 35–40 billion) are relatively strong and the trade balance is close to neutral in non-oil goods. In contrast, India records significant trade deficits with Saudi Arabia and Iraq, where imports of crude oil push bilateral trade deficits to USD 25–30 billion and USD 20–25 billion respectively. Qatar is a major supplier of liquefied natural gas, contributing to a trade deficit of roughly USD 10–12 billion. India's exports to the Gulf include refined petroleum products, food grains, marine products, meat, textiles, engineering goods, pharmaceuticals, and construction materials, while imports are dominated by crude oil, LNG, petrochemicals, and fertiliser inputs. Although the merchandise trade balance is negative, this deficit is substantially offset by remittances exceeding USD 45–50 billion annually from Indian workers in the Gulf, which remain one of India's largest sources of foreign exchange. The current India–Gulf trade relationship is therefore characterised by high import dependence but strong compensating inflows, limiting external vulnerability. Looking ahead, the scope lies in increasing India's manufactured exports, expanding services trade, attracting Gulf investment into Indian infrastructure and manufacturing, and gradually reducing hydrocarbon dependence through renewable energy cooperation. Overall, despite a large merchandise trade deficit, India–Gulf trade continues to enhance India's economic resilience and strategic autonomy in a multipolar global economy.

**India–Russia Trade Relations: Autonomy under Geopolitical Stress**

Russia is One of the world's major resource-rich economies, with a nominal GDP of approximately USD 2 trillion and a much larger position in purchasing power parity terms, driven primarily by energy exports. Russia's largest trading partners in recent years have been China, the European Union (prior to sanctions), and India, with China currently occupying the top position due to energy, machinery, and industrial goods trade. India's trade with Russia expanded sharply after 2022, transforming Russia into one of India's leading import partners. In 2023–24, India imported goods worth approximately USD 55–60 billion from Russia, while India's exports to Russia remained relatively limited at around USD 10–12 billion, resulting in a large trade deficit of nearly USD 45–50 billion in India's favour. India's imports from Russia are heavily concentrated in crude oil, along with coal, fertilisers, and defence-related equipment, reflecting India's energy and strategic requirements. In contrast, India's exports to Russia mainly include pharmaceuticals, tea, coffee, chemicals, machinery, automotive components, and consumer goods, catering to Russia's domestic market needs amid restricted access to Western suppliers. While the trade structure is highly imbalanced, the relationship has strengthened India's energy security and reduced import costs during periods of global volatility. At the same time, Russia benefits from India as a stable long-term market and a key partner outside the Western economic system. Overall, India–Russia trade reflects a pragmatic, interest-driven partnership shaped by geopolitical realignments rather than conventional market complementarities.

**India–China Trade Relations: Dependence, Deficit, and Recalibration**

In the contemporary global economic hierarchy, the United States remains the world's largest economy with a nominal GDP of about USD 27 trillion, followed by China at approximately USD 18 trillion, while India, with a GDP of nearly USD 3.7 trillion, has emerged as the fastest-growing major economy. This asymmetry in economic size strongly shapes India–China relations, which are characterised by economic interdependence alongside strategic competition. China is India's largest import partner, reflecting India's dependence on Chinese manufacturing capacity and intermediate goods. In 2023–24, bilateral trade between India and China stood at around USD 135–140 billion, with India's imports from China valued at approximately USD 100–105 billion and exports limited to USD 30–35 billion, resulting in a persistent trade deficit of nearly USD 65–70 billion for India. India's exports to China are concentrated in low and medium value-added items such as iron ore, petroleum products, cotton, organic chemicals, and marine products, whereas China's exports to India include electronics, electrical machinery, telecom equipment, solar panels, active pharmaceutical ingredients, chemicals, and capital goods—sectors critical to Indian manufacturing and infrastructure. At the global level, China's top trading partners include ASEAN (exports approx. USD 520–540 billion), the United States (about USD 430–450 billion), the European Union (around USD 500–520 billion), Japan (nearly USD 170–180 billion), and South Korea (approximately USD 160–170 billion), with ASEAN currently occupying the leading position due to integrated regional supply chains. For India, China functions less as an export destination and more as a supplier of industrial inputs, reinforcing structural dependence despite political tensions. Consequently, while India has avoided full economic disengagement, it has pursued a policy of recalibration through import substitution, supply-chain diversification, and selective regulatory controls. Overall, India–China economic relations reflect a complex balance between necessity and caution, shaped by unequal economic size, large trade imbalances, and broader strategic rivalry in a multipolar global economy.

**India–ASEAN Trade Relations: Regional Engagement with Constraints**

Beyond China, India's trade relations with other Asian countries present significant opportunities to enhance economic growth, regional influence, and strategic positioning. India enjoys strong and largely favourable trade relations with its South Asian neighbours, including Bangladesh, Nepal, Bhutan, and Sri Lanka, where India consistently records trade surpluses by exporting petroleum products, machinery, pharmaceuticals, automobiles, and consumer goods. These countries are heavily dependent on Indian markets, giving India natural economic leverage that should be preserved and expanded. In Southeast Asia, trade with ASEAN is strategically important for integrating India into regional value chains, particularly in electronics, automotive components, chemicals, and textiles, even though India faces moderate trade deficits in some sectors. Japan and South Korea are critical Asian partners for capital goods, advanced technology, and investment, and while India runs trade deficits with them, these relationships contribute to industrial upgrading and long-term productivity gains. Trade relations with Vietnam and Indonesia offer growing scope for manufacturing cooperation and export diversification. Unlike China-centric trade, India's engagement with other Asian economies is less asymmetric and offers greater scope for balanced growth, export expansion, and regional leadership. Strengthening trade, investment, and supply-chain linkages with Asian neighbours is therefore essential for India to enhance its economic resilience, reduce excessive dependence on any single country, and consolidate its strategic influence in Asia's evolving multipolar order.

**India–United States Trade Relations: From Preferential Access to Tariff Negotiation**

The assumption of office by Narendra Modi in 2014 marked a renewed momentum in India–United States economic engagement. This phase acquired greater complexity during the presidency of Donald Trump, as bilateral trade relations oscillated between strategic convergence and acute economic tension. While overall trade volumes expanded, the relationship increasingly reflected a shift toward protectionism, reciprocal tariffs, and geopolitically driven economic decision-making.

**Tariff Escalation and the High-Tension Phase**

A defining feature of the Modi–Trump trade phase was the sharp escalation of tariff-based disputes. The US administration's "America First" doctrine framed India as a high-tariff economy, leading to the withdrawal of preferential access under the GSP scheme and the imposition of punitive duties on selected Indian exports. These measures coincided with retaliatory tariffs by India on American agricultural and manufactured goods, intensifying friction and pushing disputes toward the World Trade Organization.

Trade tensions reached a peak during 2025, when tariff pressures were amplified by broader geopolitical disagreements, particularly concerning energy sourcing and strategic alignment. This period may be characterized as a high-tension phase, where trade policy became a tool of political signaling rather than purely economic regulation.

- The 18 % Tariff Adjustment and Partial De-escalation

In early 2026, the United States announced a recalibrated tariff structure under an interim trade framework, reducing duties on Indian exports to an average 18 % across major product categories. Although still higher than pre-dispute levels, this adjustment represented a significant de-escalation from earlier punitive rates and signaled a shift from coercive tariff diplomacy toward managed reciprocity.

For India, the 18 % tariff regime reflects both constraint and opportunity: while exporters continue to face cost pressures, the predictability of a uniform rate provides greater stability than the earlier environment of abrupt tariff shocks.

- External Strategic Factors Shaping Trade Policy

India–US trade relations during this period cannot be understood in isolation. Several external factors critically influenced American trade posture toward India:

**EU–US and EU–India Trade Dynamics**

The evolving trade negotiations between the United States and the European Union, as well as India's deepening economic engagement with the EU, affected Washington's approach to tariff leverage. India's potential access to European markets reduced US bargaining power and encouraged tariff recalibration.

- Competing Trade Partnerships

India's simultaneous engagement with alternative trade partners in Asia and the Global South strengthened its negotiating position and reinforced its strategy of diversified economic alignment rather than exclusive dependence on the US market.

- Strategic Competition with China

Shared concerns over China's dominance in global supply chains moderated the extent of trade confrontation. Despite tariff disputes, the US continued to view India as a critical long-term partner in restructuring global manufacturing and technology networks.

**Findings and Conclusion**

The Modi–Trump phase of India–US trade relations represents a transition from preferential liberalism to strategic transactionalism. The introduction of the 18 % tariff marks neither a full normalization nor a breakdown, but rather a negotiated middle path shaped by domestic protectionism, geopolitical rivalry, and external trade realignments—particularly involving the EU and other global partners.

This period offers a valuable case study of how trade policy in a multipolar world increasingly reflects power politics, alliance management, and strategic autonomy, rather than classical free-trade principles alone.

Across its trade relations with major global and regional partners, India under the Modi government has pursued a consistent pattern: diversification without dependence, engagement without alignment, and negotiation without subordination. The reconfiguration of strategic autonomy in a multipolar world is thus reflected not in isolationism, but in India's capacity to manage competing economic relationships while safeguarding policy space.

India's trade strategy during this period demonstrates that strategic autonomy is no longer defined by distance from global markets, but by the ability to operate within them on negotiated, interest-driven terms.

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