# India’s Trade Strategy in a Multipolar World

***Mains:*** *GS-II – International relations*

## Why in News?

*India’s recent global trade strategy aims to boost exports and strengthen its position as a leading global trade partner; this has resulted in ambitious free trade agreements and a stronger presence in key international economic forums.*

## What is the India’s current status in global trade?

- **Trade Growth** – India is emerging as a key player in global trade, with total exports (merchandise and services) reaching a record USD 825.3 billion in FY25 which recorded a 6.05% annual increase in total exports.
- Its global share of merchandise exports nearly doubled to 1.8% and services to 4.3% between 2005 and 2024.
- India is diversifying partnerships and, as of early 2026, has secured *preferential access to two-thirds of global trade* through FTAs.

- **Updated FTP goal – In 2023, India updated its Foreign Trade Policy (FTP) with the goal of increasing exports to *$2 trillion by 2030*, reinforcing a framework of strategic autonomy that supports sovereign decision-making while engaging major global powers.**

- **Diversification** – India ranked *third* in the Global South for trade partner diversification (UNCTAD 2025).
- **Export Composition** – While petroleum, electronics, and pharmaceuticals are key drivers, India is now a top-three global exporter in certain agrochemical sectors.
- **Major Partners –**
  - **Top export destinations** includes U.S., UAE, Netherlands, United Kingdom, etc.,
  - **Importing countries** includes China (largest source of imports), Russia, UAE, USA, etc.

## What transformations have occurred in India's trade approach?

- **Cautious approach** – For many years, India adopted a cautious approach to free trade agreements (FTA), engaging primarily with economies that were similar in structure and stages of development.
- **Proactive trade strategy** – In recent years, however, New Delhi has shifted to a more proactive trade strategy, pursuing intensive negotiations and concluding comprehensive FTAs with major developed economies that were previously beyond reach.
- **Expanding FTA Coverage** – According to recent estimates, India's network of FTAs is projected to cover nearly 71% of its total export basket by 2026 — an extraordinary increase from approximately 22% in 2019.
- **Integration to advanced markets** – This rapid expansion reflects a decisive shift away from primarily regional trade arrangements toward deeper integration with advanced economies such as Australia, the EU, UAE, UK, and the US.
- This reflects India's broader strategic ambition to integrate into global value chains and high-value markets.
- **India–EU Free Trade Agreement** – A major development in India's trade diplomacy is the India-EU Free Trade Agreement, signed on January 27, 2026 after nearly two decades of negotiations.
- It creates a vast free trade zone covering nearly two billion people.
- **Benefits of the EU Deal**
    - Reduces or eliminates tariffs on over 90% of traded goods.
    - Helps Indian exporters in textiles, leather, pharmaceuticals, chemicals, and marine products.
    - Enhances India's competitiveness against rivals like Bangladesh and Vietnam.
    - Removes tariffs on many pharmaceutical exports, strengthens regulatory cooperation, and
    - Lowers production costs by easing access to advanced European machinery and inputs.
    - Foster digital trade, boost investor confidence, and strengthen long-term economic resilience.
- **Significance** – Widely regarded as the "mother of all deals", the agreement represents a transformative boost to India's export ecosystem and marks a decisive shift in India's broader global trade strategy.

## What about India's deal with the U.S.?

- **India–U.S. Interim Trade agreement** – Early in February 2026, India

and the U.S. signed a framework for an interim agreement on reciprocal trade, restating their commitment to advancing negotiations on a broader U.S.-India Bilateral Trade Agreement (BTA).

- **Strategic Collaboration** – This agreement prioritises strategic collaboration in critical sectors such as rare earths and semiconductors.
- This partnership supports India's ambitions in high-technology manufacturing, strengthens its electronics export capacity, and positions India as a reliable global hub for semiconductor-related production.
- **Diversification & Flexibility** – By diversifying export destinations and reducing overdependence on specific markets, the pact enhances India's strategic and economic flexibility.

## What are the key dimensions of India's trade shift?

- **Preferential Access to Advanced Economies** – Deeper engagement with advanced economies like the EU and U.S. provides India with access to high-demand markets, expected to significantly boost exports in labour-intensive sectors and integrating MSMEs into global value chains.
- **Integration into Global Supply Chains** – FTAs reduce barriers for both exports and imports of intermediate goods, enabling Indian firms to participate more effectively in global supply chains.
- This is especially beneficial for technology, electronics, pharmaceuticals, and services, all of which depend heavily on seamless cross-border movement of inputs and components.
- **Diplomatic Leverage** – Trade agreements serve as strategic instruments for enhancing India's diplomatic influence.
- By establishing deeper economic interdependence with major powers, India strengthens its role in global economic governance and positions itself as a more influential voice in shaping trade norms and standards.
- **From Regionalism to Calibrated Global Integration** – After opting out of the Regional Comprehensive Economic Partnership (RCEP), India adopted a calibrated approach:
- Boosting domestic manufacturing through production-linked incentives (PLIs). and
- Infrastructure expansion while deepening global integration.

## What lies ahead?

- India's evolving global trade strategy is central to its ambition of becoming an economic superpower and achieving Viksit Bharat.
- Trade agreements with Australia, the EU, the UAE, and the U.K. aim to

expand market access, attract investment, and diversify exports.

- The agreements are across continents that reinforces India’s strategic attempt to diversify and not become overly dependent on any single geography.
- By strengthening supply chains, promoting digital and services trade, and integrating into global value chains, India seeks to scale high-value exports and position itself as a leading force in global commerce.

## Reference

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