

India's Strategic Autonomy in a Fragmented Global Trade Order: Multi-Alignment, Economic Resilience, and Geo-economics Statecraft

Subhankar Pradhan

Assistant Professor, Dept. of Political Science,
Government General Degree College, Keshiary

Abstract: In an era defined by competing institutional architectures, sharpening major-power rivalries, and a resurgence of geo-economics shocks, the established certainties of the post-Cold War world are rapidly eroding. Globalisation is being revisited as regions from Europe to the Indo-Pacific face simultaneous and overlapping challenges, including technological disruption, climate change, and transnational extremism. The recent Global trading landscape has entered a phase of unprecedented turbulence characterized by intensifying geopolitical fragmentation, the weaponization of supply chains, and a shift towards protectionist policies, notably volatile US trade tariffs. This volatility, coupled with a slowdown in World Trade Organization (WTO) momentum, has forced developing economies to urgently restructure their trade strategies. This paper analyzes India's strategic response to these challenges, examining the significant shift from cautious engagement to a proactive, “multi-aligned” negotiation strategy, pivoting from defensive postures to “strategic autonomy”.

India's response is characterized by a dual-track strategy combining internal capacity building “Atmanirbhar Bharat” (Self-Reliant India) with intensified external trade diplomacy. By abandoning the Regional Comprehensive Economic Partnership (RCEP) to protect domestic sectors, India has pivoted towards high-value, bilateral Comprehensive Economic Partnership Agreements (CEPAs) and Free Trade Agreements (FTAs) with developed partners, including the EU, UAE, Australia, and the European Free Trade Association (EFTA). This paper highlights how India is leveraging its large market size and growing manufacturing base (under Production Linked Incentive schemes) to secure better terms, focusing on services, digital trade, and supply chain resilience. This paper is also evaluating whether India successfully navigates a multipolar world to strengthen its economic resilience and global positioning or not?

Keywords: Global Trade Turbulence, India's Strategic Autonomy, Multi-Alignment, Economic Resilience, Geo-economics Statecraft, Atmanirbhar Bharat.

Introduction:

The liberal international economic order that consolidated after the Cold War was built upon three foundational pillars: multilateral trade governance, progressive tariff reduction, and the deepening of global value chains. Economic interdependence was widely regarded as a stabilizing force in international politics, fostering efficiency, growth, and institutionalized cooperation (**Keohane & Nye, 2012**). For nearly three decades, this system enabled rapid globalization, expanded trade volumes, and facilitated the integration of emerging economies into global markets. However, the assumptions underpinning this order have been increasingly contested. The global financial crisis of 2008 exposed structural vulnerabilities in hyper-globalized financial systems. Subsequent trade disputes, supply chain disruptions during the COVID-19 pandemic, and the strategic deployment of tariffs and export controls have intensified doubts about the sustainability of unfettered globalization (**Baldwin & Evenett, 2020**). Economic interdependence, once celebrated as mutually beneficial, is now perceived by many states as a source of vulnerability and coercion.

In this emerging environment of geo-economics rivalry and multipolarity, middle and rising powers must recalibrate their external economic strategies. India offers a compelling case study of such recalibration. Long characterized by cautious engagement and protective trade policies, India has, in recent years, adopted a more assertive and diversified trade diplomacy. Its approach blends domestic industrial strengthening with external economic activism, reflecting an effort to reconcile global integration with strategic autonomy. This paper addresses three central questions:

1. What structural transformations in the global trading system have prompted India's strategic shift?
2. How has India recalibrated its trade diplomacy and domestic economic policies?
3. To what extent does India's multi-aligned approach enhance economic resilience and global positioning?

Erosion of the Post–Cold War Global Trade Order:

The post–Cold War global economic order was largely founded on the principles of trade liberalisation, institutional multilateralism, and expanding economic interdependence among states. Institutions such as the World Trade Organization (WTO) played a central role in shaping a rules-based trading system by facilitating tariff reductions, providing dispute settlement mechanisms, and promoting integration of developing economies into global markets (**Hoekman & Kostecki, 2009**). During the 1990s and early 2000s, this framework significantly expanded global trade volumes and cross-border investment flows, enabling countries such as China, India, and Southeast Asian economies to integrate into global value chains. However, the foundations of this order have steadily weakened over the past decade.

One major indicator of this erosion has been the stagnation of the Doha Development Round negotiations, which began in 2001 but failed to deliver meaningful reforms due to disagreements between developed and developing economies over agricultural subsidies, market access, and development provisions. The paralysis of the WTO dispute settlement system further intensified the crisis of multilateral governance when the United States blocked the appointment of judges to the WTO Appellate Body beginning in 2019, effectively disabling the institution responsible for resolving trade disputes (**Narlikar, 2022**). Without an operational appellate mechanism, enforcement of trade rules has weakened, encouraging countries to adopt unilateral trade measures. Global crises have further exposed the fragility of hyper-globalised supply chains. The 2008 Global Financial Crisis disrupted financial flows and reduced global demand, revealing structural imbalances within the international economic system. More recently, the COVID-19 pandemic demonstrated the vulnerability of tightly interconnected production networks, particularly in sectors such as pharmaceuticals, medical equipment, and semiconductors (**Baldwin & Freeman, 2021**). Lockdowns and border restrictions disrupted global logistics networks, while export controls on vaccines and medical supplies exposed the limits of international solidarity during crises. Together, these developments have eroded confidence in the predictability and openness that once defined the post–Cold War trading system.

Geo-economics Fragmentation and the Rise of Protectionism:

The weakening of multilateral trade governance has coincided with the growing prominence of geo-economics, where states deploy economic instruments to pursue strategic and geopolitical objectives. Trade policy, investment regulation, export controls, and sanctions are increasingly used as tools of strategic competition (**Blackwill & Harris, 2016**). A prominent example is the escalating economic rivalry between the United States and China, which has transformed global supply chains into arenas of geo-political contestation (**Bown, 2020**).

The trade conflict initiated during the Donald Trump administration in 2018 involved tariffs on hundreds of billions of dollars' worth of Chinese goods, triggering retaliatory measures from Beijing. Although partial agreements were reached later, tensions persisted and expanded into technology sectors. Washington imposed export controls on advanced semiconductors and restricted Chinese firms' access to cutting-edge technologies, targeting companies such as Huawei (**Miller, 2022**). In response, China accelerated efforts to develop domestic technological capabilities and secure alternative supply chains.

The weaponization of economic interdependence has also been visible in sanctions regimes (Farrell and Newman, 2019). For instance, the sweeping economic sanctions imposed on Russia following the Russian invasion of Ukraine in 2022 demonstrated how financial networks, energy trade, and payment systems can be leveraged as geopolitical tools. The freezing of Russian foreign reserves and exclusion from the SWIFT financial messaging system highlighted how global economic infrastructure can become instruments of strategic pressure.

For developing economies, such fragmentation poses serious challenges. Protectionist policies in advanced economies—including subsidies for domestic industries under initiatives such as the Inflation Reduction Act in the United States—can distort global competition and redirect investment flows away from emerging markets. The weakening of WTO dispute settlement mechanisms further reduces legal certainty, forcing developing countries to rethink their dependence on multilateral institutions and explore alternative pathways for economic engagement.

India's Strategic Reorientation: From Defensive Multilateralism to Proactive Multi-Alignment:

Within this evolving geopolitical environment, India has undertaken a significant recalibration of its trade policy. Historically, India adopted a defensive approach within multilateral negotiations, emphasizing the need to preserve policy space for domestic development and protect vulnerable sectors such as agriculture and small-scale industries. While this strategy allowed India to safeguard socio-economic priorities, it also limited its participation in deeper trade integration. However, the fragmentation of the global trading system and the intensification of great-power competition have prompted India to adopt a more proactive and flexible strategy. This approach is increasingly described as multi-alignment, whereby India simultaneously cultivates economic partnerships with multiple power centers—including the United States, the European Union, Japan, and emerging partners in the Indo-Pacific—without binding itself exclusively to any single geopolitical bloc (Mohan, 2022).

This strategy reflects India's broader doctrine of strategic autonomy, historically rooted in its non-aligned foreign policy during the Cold War but now adapted to a multipolar economic order (Jaishankar, 2020; Pant & Saha, 2021). Rather than resisting globalization outright, India seeks to renegotiate the terms of its participation in the global economy. By diversifying trade partnerships and supply chains, India aims to enhance resilience while preserving the flexibility to pursue independent policy choices.

Withdrawal from RCEP: Strategic Selectivity in Trade Engagement:

India's decision to withdraw from the Regional Comprehensive Economic Partnership (RCEP) negotiations in 2019 represented a pivotal moment in its trade policy (Chandran & Singh, 2020). The agreement, which included major Asia-Pacific economies such as China, Japan, South Korea, and the ASEAN states, would have created the largest free trade bloc in the world. However, India ultimately declined to join due to concerns over potential import surges, particularly from China, which could undermine domestic manufacturing sectors. Indian policymakers feared that tariff reductions under RCEP might exacerbate the existing trade deficit with China and expose small and medium-scale industries to intense competition (Mukherjee, 2021). Agricultural stakeholders also raised concerns about the impact of increased imports of dairy and agricultural products from countries such as New Zealand and Australia. Rather than signifying a retreat from global trade, the withdrawal reflected a strategic recalibration. India signalled that it would prioritize trade agreements where it could negotiate stronger safeguards and ensure reciprocity. The decision demonstrated that India was willing to resist large multilateral frameworks perceived as structurally disadvantageous while exploring more balanced bilateral arrangements (Sinha, 2022).

Atmanirbhar Bharat and Internal Economic Strengthening:

A central component of India's evolving economic and trade strategy is the initiative known as Atmanirbhar Bharat Abhiyan (Self-Reliant India), which seeks to strengthen domestic economic capacity while enhancing India's competitiveness within the global economy. Announced in 2020 in response to the economic disruptions caused by the COVID-19 pandemic, the initiative was

designed not as a withdrawal from globalisation but as a strategy to build resilient domestic capabilities that would allow India to participate in international trade from a position of greater strength. The policy framework emphasizes strengthening manufacturing, improving technological capabilities, promoting innovation, and reducing dependence on imports in critical sectors while continuing to attract foreign investment and integrate into global value chains.

One of the most important instruments under this initiative is the Production Linked Incentive (PLI) scheme, which provides financial incentives to companies that expand production and investment in priority sectors (NITI Aayog, 2021). The scheme covers a wide range of industries including electronics, pharmaceuticals, renewable energy, automobiles, and telecommunications equipment. Through these incentives, the government aims to encourage both domestic and multinational firms to establish manufacturing facilities in India, increase local value addition, and generate employment opportunities. In the electronics sector, for example, global technology companies such as Apple have expanded their manufacturing footprint in India through supplier networks including Foxconn and Pegatron. As a result, India has emerged as one of the fastest-growing smartphone manufacturing hubs, with a significant share of iPhones now being assembled domestically and exported to international markets.

Another key dimension of Atmanirbhar Bharat involves strengthening strategic sectors that are essential for long-term economic resilience and national development. The government has launched initiatives to encourage domestic production of pharmaceuticals and active pharmaceutical ingredients (APIs), recognizing the importance of secure supply chains in the healthcare sector. Similarly, policies promoting renewable energy manufacturing—particularly solar modules and battery storage technologies—are intended to support India's transition toward sustainable energy while developing domestic industrial capacity. Investments in semiconductor manufacturing and electronics supply chains also reflect a broader effort to position India within emerging high-technology industries. The initiative also includes broader structural reforms aimed at improving the business environment and supporting economic growth. Measures such as infrastructure development, logistics modernisation, digital governance platforms, and financial support for small and medium-sized enterprises are intended to strengthen the foundations of India's domestic economy. Programs promoting start-ups, digital innovation, and skill development further contribute to building a more dynamic and technologically capable industrial ecosystem. By focusing on domestic capacity building alongside global economic engagement, Atmanirbhar Bharat seeks to create a stronger and more resilient economic base. This approach enables India to expand manufacturing, increase exports, and participate more effectively in global supply chains while supporting long-term economic development and national self-sufficiency.

Expansion of Bilateral CEPAs and FTAs with Developed Economies:

Following its withdrawal from RCEP, India intensified its pursuit of bilateral trade agreements. In 2022, India concluded a Comprehensive Economic Partnership Agreement with the United Arab Emirates and an Economic Cooperation and Trade Agreement with Australia. These agreements significantly reduced tariffs on a wide range of goods and opened new opportunities for Indian exporters in sectors such as textiles, pharmaceuticals, and engineering products.

Negotiations with the European Union and the European Free Trade Association (EFTA) have also gained momentum. These agreements extend beyond traditional tariff reductions to include provisions on digital trade, intellectual property rights, investment protection, and sustainable development standards. By engaging with advanced economies, India aims to access technology, attract foreign investment, and integrate more deeply into global value chains. However, such agreements also require India to undertake domestic regulatory reforms and address concerns related to environmental standards, labour regulations, and data governance (Sinha, 2022).

Leveraging Market Size, Services Strength, and Supply Chain Realignment:

India's bargaining power in international trade negotiations increasingly derives from its large domestic market and rapidly growing consumer base. With a population exceeding 1.4 billion and a rapidly expanding middle class, India represents a highly attractive market for multinational corporations seeking growth opportunities. At the same time, India's globally competitive services sector

provides significant leverage in trade negotiations. The country is a leading exporter of information technology and business process outsourcing services, with major firms such as Infosys and Tata Consultancy Services serving clients worldwide. India therefore advocates greater liberalization of cross-border services trade and improved mobility for skilled professionals.

Global supply chain realignment further strengthens India's strategic position. As companies seek to diversify production away from China amid geopolitical tensions, India has emerged as a potential alternative manufacturing destination. Initiatives such as the Quad supply chain resilience discussions illustrate broader efforts among Indo-Pacific partners to reduce supply chain vulnerabilities.

Navigating Multipolarity and Strategic Autonomy:

The evolving global order is increasingly multipolar, with economic power distributed across multiple centres including the United States, China, the European Union, and emerging economies. In this environment, India's multi-aligned trade diplomacy reflects a deliberate strategy to maintain flexibility and avoid excessive dependence on any single economic partner.

India continues to deepen partnerships with Western economies while simultaneously managing complex economic relations with China. Additionally, New Delhi has expanded trade and investment engagement with the Middle East, Africa, and Southeast Asia. This diversification reduces vulnerability to external shocks such as sanctions, trade restrictions, or geopolitical crises. However, sustaining this balancing act requires significant domestic reforms. Infrastructure improvements, regulatory stability, and technological innovation are essential to ensure that India can translate diplomatic engagement into tangible economic gains.

Evaluating India's Economic Resilience and Global Positioning:

India's evolving trade strategy represents a pragmatic response to an increasingly volatile and fragmented global economic environment. By combining domestic capacity-building initiatives with diversified international economic partnerships, India seeks to strengthen its resilience against external shocks while preserving strategic autonomy. The emphasis on industrial policies such as production incentives, infrastructure expansion, and digital transformation indicates a recognition that economic power is now closely tied to technological capability and supply chain integration. Furthermore, India's engagement with multiple economic partners—from the Middle East to Europe and the Indo-Pacific—demonstrates an effort to reduce overdependence on any single market and to position itself as a critical node in emerging global production networks.

However, the success of this strategy remains uncertain and must be evaluated critically. Despite ambitious initiatives, India continues to face structural constraints that may limit its ability to fully capitalize on shifting global supply chains. For instance, while multinational corporations have sought to diversify production away from China, India has struggled to capture a large share of this relocation due to regulatory complexity, infrastructure bottlenecks, and inconsistent policy implementation. A frequently cited example is the decision of several global electronics manufacturers to expand production in Vietnam rather than India. Vietnam's streamlined regulatory framework, extensive network of free trade agreements, and efficient export-oriented manufacturing ecosystem have enabled it to attract significant foreign investment from companies such as Samsung and Intel. In contrast, India's manufacturing sector has often faced delays in land acquisition, logistics challenges, and complex taxation structures, which reduce its competitiveness despite its large domestic market.

Similarly, India's trade diplomacy faces contradictions between protectionist domestic pressures and the demands of deeper trade liberalization. Negotiations with the European Union, for example, have encountered difficulties over issues such as environmental standards, data governance, and market access for agricultural and industrial goods. While India seeks greater mobility for skilled professionals and services exports, European partners demand stronger commitments on regulatory alignment and sustainability norms. This tension illustrates a broader dilemma: India aims to preserve policy autonomy and protect vulnerable sectors while simultaneously seeking deeper integration into advanced global markets. Another example can be seen in the semiconductor sector. India has launched ambitious plans to develop a domestic chip manufacturing ecosystem, yet the technological and financial barriers remain formidable. Global semiconductor production continues to be dominated by firms such as Taiwan Semiconductor

Manufacturing Company (TSMC) and Samsung Electronics, which benefit from decades of technological expertise and well-established supply chain networks. India's efforts to attract semiconductor investment are promising but still in early stages, highlighting the long-term challenge of translating policy initiatives into industrial capability (Miller, 2022).

These examples suggest that India's aspiration to emerge as a major factor in the global economic order depends not only on strategic diplomacy but also on sustained domestic reform. Infrastructure development, improvements in ease of doing business, investment in education and technological research, and greater policy consistency will be essential to strengthen India's economic competitiveness. Without addressing these structural issues, India's strategy of multi-alignment may remain largely diplomatic rather than transformational.

Ultimately, India stands at a critical juncture in the evolving global trade order. If domestic economic reforms successfully complement its external engagement strategy, India could become a major hub in reconfigured global supply chains and a significant voice in shaping emerging trade norms. However, if structural constraints persist, the country risks remaining a peripheral participant in global production networks despite its demographic and market advantages. The effectiveness of India's economic resilience strategy will therefore determine whether it can transition from a reactive balancing power to a proactive architect of the emerging multipolar economic system.

Conclusion:

The fragmentation of the contemporary global trade order has intensified as geopolitical conflicts and economic rivalries increasingly intersect. Recent tensions between the United States and Iran illustrate how security crises can quickly transform into geoeconomic disruptions affecting global trade and energy markets. The escalation of military confrontation in early 2026 led to instability around the Strait of Hormuz, a maritime choke point through which nearly one-fifth of global oil supplies normally pass, causing shipping disruptions, rising freight costs, and volatility in oil prices. Such disruptions highlight how geopolitical conflict can destabilize global supply chains and expose the vulnerability of energy-dependent economies like India. Simultaneously, renewed tariff measures and sanctions linked to the conflict reflect the growing weaponization of trade policy, as economic tools are increasingly used to exert political pressure and reshape strategic alignments in the global economy.

Within this turbulent environment, India's strategy of strategic autonomy through multi-alignment and geoeconomic statecraft becomes particularly significant. Rather than aligning exclusively with any single power bloc, India has sought to diversify economic partnerships while strengthening domestic resilience through initiatives such as *Atmanirbhar Bharat*. The ability to navigate between competing powers—maintaining engagement with Western economies while sustaining energy and connectivity interests in regions such as West Asia—demonstrates a pragmatic adaptation to global fragmentation. However, the success of this strategy will depend on India's capacity to balance domestic industrial policy with deeper integration into global value chains, while also managing the economic shocks produced by geopolitical crises and trade wars. Ultimately, India's response to these contemporary challenges will determine whether it remains primarily a balancing actor in an unstable trade system or emerges as a key architect shaping the evolving structures of the twenty-first-century global economic order.

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