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Sustainability of Indian Commerce During the tariff War and It's Future

A Comprehensive Analysis of Trade Resilience, Policy Responses, and Strategic Diversification in the Era of US-India Trade Tensions (2025–2026)

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ABSTRACT

The imposition of sweeping US tariffs on Indian goods — escalating from 25% in April 2025 to a punitive 50% by August 2025 — triggered one of the most significant trade disruptions in modern India-US relations. This paper examines the sustainability of Indian commerce under this tariff regime, analysing the sectoral impacts across textiles, gems and jewellery, pharmaceuticals, electronics, and automotive components. It evaluates India's policy responses, including market diversification, the landmark EU-India FTA (January 2026), the India-UK CETA, strategic autonomy posture, and domestic stimulus measures. Drawing on trade data from 2025–2026, the paper argues that while traditional export sectors have faced severe headwinds, India's commerce has demonstrated a paradoxical resilience — driven by tariff-exempt electronics and pharmaceutical exports, rupee depreciation advantages, and aggressive FTA diplomacy. The paper concludes with a forward-looking framework for the future of Indian commerce, emphasising structural transformation, value-chain integration, and geopolitical hedging as pillars of long-term sustainability.

Keywords: Tariff War, Indian Commerce, Trade Diversification, US-India Trade, FTA, PLI, Atmanirbhar Bharat

1. Introduction

The global trading order has undergone a seismic transformation since 2025. The United States, under President Donald Trump's second administration, embarked on an unprecedented protectionist agenda, deploying tariffs as both an economic and geopolitical weapon against allies and adversaries alike. India, long considered a strategic partner and a rising power in the Indo-Pacific, found itself facing some of the steepest duties imposed on any major trading nation. [1]

The US-India trade relationship, valued at over $132 billion in FY 2024-25, had historically been characterised by robust growth and complementary economic structures. India's exports to the United States — spanning generic pharmaceuticals, IT services, textiles, gems and jewellery, and engineering goods — had made the US the single largest destination for Indian merchandise exports, accounting for approximately 20% of India's total goods exports. [17]

The sudden and steep imposition of tariffs — initially a 25% 'reciprocal' duty in April 2025, followed by an additional 25% penalty in August 2025 purportedly linked to India's continued purchase of Russian oil, bringing the cumulative levy to 50% — shattered the assumptions of stability that had underpinned bilateral trade planning. The Indian government estimated these tariffs would impact $48.2 billion worth of exports, [5] with analysts describing the measure as among the highest the US charged on any trading partner. [2]

This paper addresses that question comprehensively. It maps the origins and escalation of the US-India tariff dispute, quantifies the sectoral damage, evaluates India's multidimensional response, and assesses the medium-to-long-term sustainability of Indian commerce in a world where trade is increasingly weaponised as an instrument of statecraft.

2. Background: The Anatomy of the Tariff War

2.1 Origins of the Dispute

The roots of US-India trade tension predate 2025. India and the United States had long maintained an asymmetric trade relationship, with India running a merchandise surplus of approximately $45.8 billion in 2024, which repeatedly drew the attention of US trade hawks. Structural irritants included India's high import tariffs on American goods (particularly agricultural products, motorcycles, and spirits), data localisation norms, and the absence of a comprehensive bilateral trade agreement. [1,]

India's continued purchase of discounted Russian crude oil added a geopolitical dimension to the trade friction. The Trump administration ultimately fused these grievances — trade imbalance, energy policy, and perceived non-alignment — into a punitive tariff package. India strongly denounced the measures as 'unfair, unjustified and unreasonable,' asserting that its energy policy was grounded in its strategic autonomy. [1]

2.2 Escalation Timeline

Date	Event	Tariff Rate / Reference
April 2, 2025	Trump announces 'reciprocal' tariffs on Indian goods [1, 2]	25%
August 1, 2025	Additional tariff linked to Russian oil purchases [5]	+25% (Total: 50%)
August 27, 2025	Full 50% tariff regime comes into effect [5]	50% on most goods
September 2025	Trade talks resume; 100% tariff on branded pharma [2, 4]	Generics remain exempt
October 2025	Indian stock market correction; pharma index gains 3% [2]	Tariffs ongoing
February 2026	Interim India-US trade deal signed [12]	Partial rollback ~15%
March 2026	Iran conflict compounds trade disruptions [6]	Ongoing uncertainty
June 2026	Full BTA negotiations continue [12, 17]	TBD

2.3 India's Initial Response

India's response was characterised by strategic firmness rather than capitulation. In his first public comments, India's commerce minister said that India would not 'bow down' to the United States and would instead focus on attracting new markets. [1] Prime Minister Modi, at a rally in Gujarat, vowed: 'For me, the interests of farmers, small businesses and dairy are topmost. My government will ensure they aren't impacted.' [5]

Diplomatically, India simultaneously signalled a diversification of partnerships, engaging with Russian President Putin, Chinese President Xi Jinping, and European leaders. In September 2025, trade negotiations resumed, indicating that both sides recognised the mutual costs of prolonged confrontation. [1]

> *Former diplomat Vikas Swarup attributed US aggression not merely to trade disputes, but also to India's BRICS involvement and its refusal to credit President Trump for brokering India-Pakistan peace — a claim New Delhi publicly rejected. The episode illustrated how trade tensions in the modern era are inextricably intertwined with broader geopolitical calculations.* [1]

3. Sectoral Impact Analysis

3.1 Overview: Scale of Disruption

The US tariff regime placed approximately $87 billion worth of India's annual exports at risk. The GTRI documented a drop in US-bound shipments from $8.38 billion to $6.31 billion between May and October 2025 — a decline of approximately 25% during the peak tariff escalation phase. [4] India's exports to the US fell by 15% in September 2025, compared to 20% during April-August 2025. [7]

The impact was not uniform. The tariff regime created a clear bifurcation: sectors exempted from additional duties (pharmaceuticals, electronics, certain food items) showed remarkable resilience, while labour-intensive traditional sectors bore the brunt of the shock. [2, 7]

3.2 Hardest-Hit Sectors

3.2.1 Textiles and Readymade Garments

India's textiles and readymade garments sector experienced an annual decline of 10.1% in exports to the US. Cotton yarn and fabric exports declined by 11.7%. [7] Gems and jewellery growth slowed to a mere 0.4%, while the sector as a whole was described as 'worst hit, with several exporters reporting up to 50% decline in turnover.' [2]

Exporters in clusters such as Tiruppur (Tamil Nadu) and Surat (Gujarat) reported dramatic order cancellations, with some units operating at 60-70% capacity. The structural challenge was compounded by competition from Vietnam, which faced only 20% US tariffs versus India's 50%, and Bangladesh, which enjoyed preferential access. [3,l]

3.2.2 Gems and Jewellery

India's gems and jewellery sector witnessed a 3.32% decline in total exports in FY 2025-26, falling to $27.72 billion. Cut and polished diamonds still accounting for 43.9% of exports declined by 8.52%, largely attributed to 'evolving tariff regimes in the US, along with global inventory corrections, subdued discretionary demand, and increasing competition from alternative luxury segments.' [6]

GJEPC Chairman Kirit Bhansali acknowledged that exporters had 'actively diversified into new geographies, strengthened value-added segments, and adapted swiftly to evolving global trade dynamics.' [6]

3.2.3 Leather and Footwear

Puran Dawar, regional chairman of the Council for Leather Exports and a supplier to Zara, described the 50% tariff as 'an absolute shock,' noting that the industry would take a substantial hit in the near term unless domestic demand strengthened and other overseas markets deepened. [5] Production hubs in Maharashtra, Tamil Nadu, and Karnataka faced significant pressure. [4]

3.3 Resilient Sectors

3.3.1 Pharmaceuticals — The Strategic Exemption

India's pharmaceutical sector, which supplies approximately 50% of the US pharmaceutical market's generic drug requirements (valued at $8.72 billion annually), received a critical exemption from the primary tariff regime. [5] A 100% tariff was announced on branded pharmaceutical products in September 2025 (effective October 2025), but generic drugs — the heart of India's pharma exports — remained protected. [4]

The Nifty Pharma Index gained over 3% following the August 2025 tariff announcement, reflecting the market's recognition of this sectoral resilience, with pharmaceuticals and IT described as 'relatively insulated from trade exposure' and continuing 'to attract domestic and institutional investors.' [2]

3.3.2 Electronics — The Star Performer

Electronics emerged as the most dramatic success story. Electronic goods exports grew by an extraordinary 50.5% year-on-year in September 2025, with smartphone exports experiencing the sharpest acceleration. [7] India's electronics exports crossed ₹4 lakh crore in 2025, and four semiconductor fabrication plants were set to begin production in 2026. [14]

The tariff exemption for electronics created an inadvertent advantage: as Chinese electronics faced far heavier US tariffs (initially 145%, later negotiated down), Indian-manufactured electronics gained competitive ground. [9] India's exports of electronics and pharmaceuticals to the US increased, and tea, coffee, spices and other food items were also added to the exemption list, all experiencing steady growth. [3]

3.3.3 IT Services

India's IT services sector, which contributes approximately $230 billion annually to the economy, remained largely insulated from the goods tariff war. IT Services and FMCG were characterised as 'relatively insulated from trade exposure,' continuing to attract domestic and institutional investors throughout the period of tariff volatility. [2]

Sector	US Export Value	Tariff Exposure	Trajectory [Source]
Pharmaceuticals (Generics)	$8.72B	Exempt	Resilient [2, 4]
Electronics	₹4L Cr+ total	Exempt	Strong growth +50.5% [7]
IT Services	$230B+ economy	N/A (services)	Stable [2]
Gems & Jewellery	$27.72B total	High (50%)	Declining -3.32% [6]
Textiles & Garments	~$7B to US	High (50%)	Declining -10.1% [7]
Leather & Footwear	Significant	High (50%)	Severely impacted [5]
Auto Components	Significant	High (50%)	Margin pressure [4]
Engineering Goods	$18.97B (all)	30-50%	Impacted [4]

4. Mechanisms of Resilience: Why Indian Commerce Has Held Firm

4.1 Market Diversification — The Geographic Pivot

Commerce Secretary Rajesh Agrawal stated that 'India has held fort on the US exports despite tariffs,' while simultaneously highlighting that shipments to China surged by 90% year-on-year to $2.2 billion. Exports to Spain, the UAE, and Tanzania were also driving growth. [3]

In November 2025, India's goods exports reached $38.13 billion — up 19.4% year-on-year — a remarkable performance given the headwinds. As Professor Sambit Bhattacharyya of the University of Sussex noted: 'Countries are looking to diversify away from the US into Asian markets such as China, Japan and ASEAN. Trade deals is one way of ensuring trade and reducing trade uncertainty.' [3]

By FY 2025-26, India's exports to the US inched marginally to $87.31 billion from $86.51 billion a near-flat performance masking significant compositional shifts beneath. At the same time, imports from the US surged sharply to $52.90 billion from $45.63 billion, narrowing India's trade surplus to $34.41 billion from $40.88 billion the previous year. [6]

4.2 The Rupee Depreciation Offset

The Indian rupee depreciated significantly, trading near a record low of Rs. 88.78 per USD at the height of tensions. As Bhattacharyya noted: 'The rupee devalued against the dollar, which partially counterbalanced the negative effects of tariff on price competitiveness of Indian exports.' [3] Despite this, investors noted stability: 'India's IPO market remains robust, with USD 5 billion+ in new listings during October 2025,' signalling continued confidence in domestic demand-driven growth. [2]

4.3 Production Linked Incentive (PLI) Scheme

India's PLI scheme emerged as a critical mechanism for transforming India's export basket from low-value commodities to high-value electronics and precision engineering. By embedding India into global value chains as a 'Plus One' partner, PLI-driven exports became 'stickier and less sensitive to simple price/tariff shocks.' [14] The scheme reinforced India's position as a preferred base for manufacturing, R&D, and services exports, with multiple analyses suggesting that 'rising protectionism elsewhere, particularly due to higher US tariffs, can be leveraged to India's advantage for enhanced inward investment attraction.' [9]

4.4 Domestic Demand Cushion

India's large domestic market provided a critical buffer that smaller export-dependent economies lack. India's GDP was estimated at $4.13 trillion in 2025, up from $1.82 trillion in 2011, and its economy was projected to become the world's fourth largest in 2026. [17] The government moved to stimulate domestic consumption through GST adjustments, reducing tax rates for insurance, cars and appliances ahead of Diwali in October 2025. [5]

4.5 WTO Mechanisms and Diplomatic Leverage

Rather than immediately announcing retaliatory tariffs, India reserved its rights under WTO dispute settlement mechanisms while pursuing diplomatic negotiations. 'India has not announced any retaliatory tariffs on US goods yet but has reserved the right to act through WTO mechanisms. While India tariffs on US products remain unchanged as of October 2025, the government is assessing reciprocal options if trade talks fail.' [2]

5. Strategic Trade Diplomacy — The FTA Revolution

5.1 India's FTA Acceleration

The tariff war catalysed a remarkable acceleration in India's trade diplomacy. Having signed none at all in the decade from 2011 to 2021, India signed a total of seven new trade agreements between 2021 and 2026. [17] India is presently in active negotiations for 11 trade agreements covering 24 countries, [13] reflecting a fundamental shift in New Delhi's approach to trade as a geoeconomic instrument. [12]

5.2 The India-UK CETA (July 2025)

The India-UK Comprehensive Economic and Trade Agreement, signed in July 2025, granted duty-free access to 99% of Indian exports to the United Kingdom — opening a major developed-economy market precisely as US access was being restricted. [13] The agreement was described as a key pillar of India's 'multi-directional trade strategy' pursued since the disruptions of 2025. [8]

5.3 The India-EU FTA — The Centrepiece

The most significant diplomatic achievement of this period was the India-EU Free Trade Agreement, concluded at the EU-India Summit in New Delhi on January 27, 2026. Described as 'the mother of all deals,' the FTA linked India's fast-growing economy with the EU's €22.5 trillion integrated market — covering goods, services, investment, digital trade and regulatory cooperation. [16]

The strategic context was pivotal. EU-India goods trade already stood at approximately $136.5 billion in FY 2024-25 — larger than India's US trade. The FTA was projected to cover 99% of India's export trade. Simulations by the Kiel Institute showed that under the EU-India FTA scenario, India would gain 0.12% in real value added — partially cushioning the 1.64% GDP loss from the US tariff shock. [8]

> *"The EU-India FTA reflects a shared recalibration towards strategic autonomy amid unreliable US leadership and a more coercive China. For the EU, India is central to diversification and de-risking; for India, Europe is a complementary partner alongside America, China and regional groupings."* [15]

The EU explicitly framed the FTA as part of a 'shock absorber' strategy reducing dependence on single markets and building resilient supply chains. The EEAS noted that: 'It is estimated that EU's goods exports to India will double by 2032. With preferential access to the EU market Indian companies will be well-positioned to significantly increase their sales to the EU.' [10] A survey by FEBI revealed that 75% of EU businesses in India expected to increase employment and investment once the FTA was in place. [10]

5.4 Other Strategic Agreements

Agreement	Partner	Status (2026)	Key Benefit [Source]
CEPA	UAE	Operational (2022)	Bilateral trade doubled to $83.7B [12]
ECTA	Australia	Operational (2022)	96-100% duty-free access [12]
TEPA	EFTA nations	Operational (Oct 2025)	Swiss/Nordic market access [13]
UK-India CETA	United Kingdom	Signed Jul 2025, pending ratification	99% duty-free exports [8, 13]
EU-India FTA	European Union (27)	Concluded Jan 2026	99% export trade covered [8, 9]
India-Oman FTA	Oman	Signed Dec 2025	Gulf market deepening [12]
India-US BTA	United States	Interim deal Feb 2026; ongoing	Partial rollback to ~15% [12]

5.5 The India-US Interim Deal

In February 2026, India and the United States signed an interim trade deal, representing a partial rollback of the punitive tariff regime. However, within a few days of signing the interim deal, the US Supreme Court ruled against the tariffs imposed by President Trump. The administration still went ahead and imposed 10 percent tariffs on all countries, subsequently raised to 15 percent. [12]

The Iran conflict in March 2026 further complicated negotiations, leaving the final shape of the Indo-US trade deal uncertain as of mid-2026. The ICRIER warned that diversification and trade reform remained essential regardless of the deal's outcome — the tariff shock had laid bare the risks of excessive dependence on a single export market. [1]

6. Geopolitical Dimensions of Indian Trade Sustainability

6.1 India's Strategic Autonomy as a Trade Asset

One of the defining features of India's navigation of the tariff war was its insistence on strategic autonomy. Critics of US tariff policy, including economist Jeffrey Sachs, argued the tariffs were a 'strategic error that would hurt the United States more than India,' noting the move 'could isolate the U.S., reduce its global competitiveness, and strain relations with India by driving it closer to the BRICS group.' [1]

Former National Security Advisor Jake Sullivan separately criticised President Trump for weakening India-US strategic ties. Rick Sanchez described the secondary tariffs as 'extremely preposterous,' characterising the overall policy as 'disrespectful and ignorant' of India's strategic autonomy and global significance. [1]

6.2 The China Factor

India maintained restrictions on direct Chinese investment and refused to join the RCEP. However, the tariff war paradoxically created space for selective India-China trade engagement: Indian exports to China surged 90% year-on-year to $2.2 billion by November 2025, driven by electronics and engineering goods. [3]

At the same time, India faced challenges from Chinese goods being diverted through its supply chains. Over the past year, the DGTR initiated numerous investigations into imports, and in September 2025 alone, issued 16 final determinations and opened 31 new investigations, highlighting the increasingly active use of trade remedy measures. [13] India turned into a net importer of steel from 2024 onwards, driven by a combination of the slowdown in China's property market and the tariffs imposed by the United States. [13]

6.3 BRICS and the Multipolar Trade Order

India's continued participation in BRICS — even as the US used this as a rationale for additional tariffs — reflected a deliberate geopolitical calculation. The Observer Research Foundation characterised India's approach as deploying trade as a 'geoeconomic instrument' — using FTA choices to signal geopolitical alignments while guarding against excessive dependence on any single power. [12]

This dual-track approach was exemplified by India's simultaneous engagement with the EU-India FTA and continued BRICS participation. The Financial Times framed the episode as echoing the post-1998 nuclear-test era, 'reflecting personalization of diplomacy, rising trade friction, and strategic divergence' — yet also, ultimately, the durability of India-US ties. [1]

7. Domestic Policy Responses and Structural Adjustments

7.1 Atmanirbhar Bharat 2.0 — Deepening Self-Reliance

The tariff shock accelerated India's 'Atmanirbhar Bharat' policy framework. India has responded to the challenges by seeking to diversify its supply chains, boost domestic production of rare earths through the National Critical Mineral Mission (NCMM), and strengthen international partnerships. [13] The government planned five integrated manufacturing units for rare earth permanent magnets with a combined capacity of 6,000 tonnes annually, targeting a reduction in import dependence for EVs, wind turbines, and defence production. [13]

The Union Budget 2026-27 announced Dedicated Rare Earth Corridors in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu for mining, processing, research, and manufacturing of Rare Earth Permanent Magnets (REPMs), bypassing Chinese processing. The KABIL joint venture was established to secure critical mineral supplies internationally. [14]

7.2 Sectoral Support Measures

Commerce Minister Piyush Goyal ruled out direct export subsidies — which could invite WTO countermeasures — but proposed targeted measures including interest subsidies and loans for affected exporters. [2] In 2025, India drastically reduced the customs duty on imports of electric vehicles and temporarily removed duty on raw cotton, while introducing minimum export prices for certain categories to protect domestic producers. [13]

7.3 Quality Control and Standards Harmonisation

Quality Control Orders (QCOs) under the Bureau of Indian Standards were deployed strategically. India also introduced import conditions on a host of IT hardware products, with the policy becoming effective from November 2023 and continuing through the tariff war period — aimed at building a foundation for Mutual Recognition Agreements with trading partners. [13] Analysts recommended that India 'aggressively pursue Mutual Recognition Agreements for its BIS certifications, particularly with Global South partners,' harmonising regulatory frameworks with Africa and ASEAN. [14]

7.4 Financial Market Stability

Despite the tariff shock, India's financial markets demonstrated notable resilience. The IPO market remained robust with USD 5 billion+ in new listings in October 2025, with 'stability expected in Q4 2025 as trade talks progress and domestic consumption cushions external shocks.' [2]

8. The Future of Indian Commerce — A Strategic Assessment

8.1 Scenarios for US-India Trade Relations

The trajectory of US-India trade relations remains contingent on multiple intersecting variables: the completion of the Bilateral Trade Agreement, US domestic political dynamics, India's Russian oil policy, and the evolving geopolitical landscape. Three broad scenarios can be envisaged:

- Scenario A — Comprehensive BTA: A full bilateral trade agreement reduces tariffs to 10-15% on most Indian goods, partially restoring US market access. Kiel Institute modelling shows that even a reduction to 15 percentage points still results in a 0.88% GDP loss for India, underscoring that a full BTA is beneficial but no longer the singular imperative given India's successful market diversification. [8]
- Scenario B — Sustained Partial Agreement: The interim deal of February 2026 is extended and deepened incrementally, with tariffs settling in the 15-25% range. Indian commerce continues to adapt, with the US remaining important but accounting for a declining share of total exports. [12, 6]
- Scenario C — Deterioration: US-India relations fracture further over geopolitical disagreements (Russia oil, Iran crisis, BRICS), leading to sustained high tariffs. This scenario would be most disruptive; analysts warned such actions 'risk pushing India closer to Russia and China.' [1]

8.2 The EU-India FTA — Transformative Potential

The EU-India FTA represents the most consequential long-term development for Indian commerce. EU goods exports to India are projected to double by 2032, and 75% of EU businesses in India expect to increase employment and investment once the FTA is in place. [10]

Particularly significant are the supply chain implications. The FTA 'enhances India's go-to positioning for attracting new manufacturing investments,' and 'reinforces India's rising position as a preferred base for manufacturing, R&D, and services exports.' [9] For Europe, India represents 'one of the markets to act as a second export growth engine as China decoupling rises and domestic demand stagnates.' [9]

The agreement covers goods, services, investment, digital trade and regulatory cooperation. If effectively implemented, it 'could become a template for 21st-century trade governance focused on resilience, diversification and standards-setting — rather than narrow market access alone.' [15]

8.3 Structural Transformation — Moving Up the Value Chain

The tariff war has accelerated a structural transformation in India's export basket that was already underway. The diversification is described as 'not just geographic but structural, shifting the export basket from raw commodities to high-value finished electronics and precision engineering through the PLI scheme.' [14]

India's electronics exports crossed ₹4 lakh crore in 2025, with four semiconductor plants beginning production in 2026. The government's ambition for India to become a 'developed nation' by 2047 requires an export economy that is sophisticated, innovation-driven, and deeply integrated into global value chains. [14, 17]

8.4 The Global South Opportunity

India's 'Global South' geographic pivot recognises that 'saturated' Western markets must be complemented by active cultivation of markets in Africa, Latin America, and Central Asia to absorb mid-tech manufacturing and generic pharmaceutical exports. [14]

However, India's credibility has been damaged by its 'switch-on, switch-off' export policy (abrupt bans on rice and onions to control domestic inflation), which 'forces African and Gulf importers to sign long-term contracts with predictable rivals like Thailand or Brazil, neutralizing India's geographic advantage.' [14]

8.5 Critical Risks and Challenges

- Over-reliance on exemptions: Pharmaceutical and electronics exemptions are policy decisions, not permanent entitlements. A future US administration could extend tariffs to these sectors. [4]
- Competitive displacement: Vietnam's textile exports grew 22.5% year-on-year in November 2025 despite 20% US tariffs, 'directly capturing market share India ceded.' [, 14]
- FTA utilisation gap: India's track record with ASEAN and South Korea shows patterns of increasing trade deficits and underutilisation of preferential access. [16]
- Geopolitical volatility: The March 2026 collapse in Middle East trade (exports down 57.95%, imports down 51.6%) illustrated how geopolitical events compound tariff-related shocks. [6]
- Carbon Border Adjustment Mechanism (CBAM): The EU's carbon border tax will impose additional costs on India's carbon-intensive exports to Europe, partially offsetting FTA gains. [14]

- Digital trade regulation: Divergent approaches to data localisation, digital taxes, and platform regulation between India and the EU/US create non-tariff barriers that could limit services sector growth. [13]

9. Conclusion

The US-India tariff war of 2025-2026 constitutes the most severe external trade shock to Indian commerce in the post-liberalisation era. Ajay Srivastava of GTRI characterised the new tariff regime as 'a strategic shock that threatens to wipe out India's long-established presence in the U.S., causing unemployment in export-driven hubs and weakening its role in the industrial value chain.' [5]

Yet this paper demonstrates that Indian commerce has proven paradoxically sustainable. The exemption of pharmaceuticals and electronics from the tariff regime preserved India's two highest-growth export categories. Rupee depreciation provided a natural competitiveness offset. [3] The PLI scheme had already begun transforming India's export basket toward higher-value products. [9, 14] And India's domestic market size — at $4.13 trillion GDP — gave policymakers the fiscal and political space to resist external pressure. [17]

Most significantly, the tariff war galvanised India's trade diplomacy into its most active phase in decades. The India-EU FTA, India-UK CETA, Oman CEPA, and EFTA TEPA collectively represent a fundamental reconfiguration of India's trade architecture from excessive US dependence toward a multipolar, diversified engagement strategy. [17]

India's target of becoming a developed nation by 2047 requires an export sector that earns foreign exchange not through cheap labour but through innovation, quality, and deep integration into global value chains. As the IISS noted, if successful, the new trade agreements 'should help India achieve its aim of becoming a developed nation by 2047... enabling it to geographically diversify its export and import markets, increase the value of its exports, lower import barriers... and create jobs.' [17]

> *India's commerce has not just survived the tariff war — it is being reshaped by it. The crisis has exposed vulnerabilities that were always present but obscured by growth. It has created the political will for changes that would otherwise have taken years. And it has positioned India, at the crossroads of the multipolar order, as an indispensable partner for economies seeking to de-risk from both American and Chinese dependence.*

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