Trade Conflicts and Alliances: How FTAs Are Reshaping Global Commerce

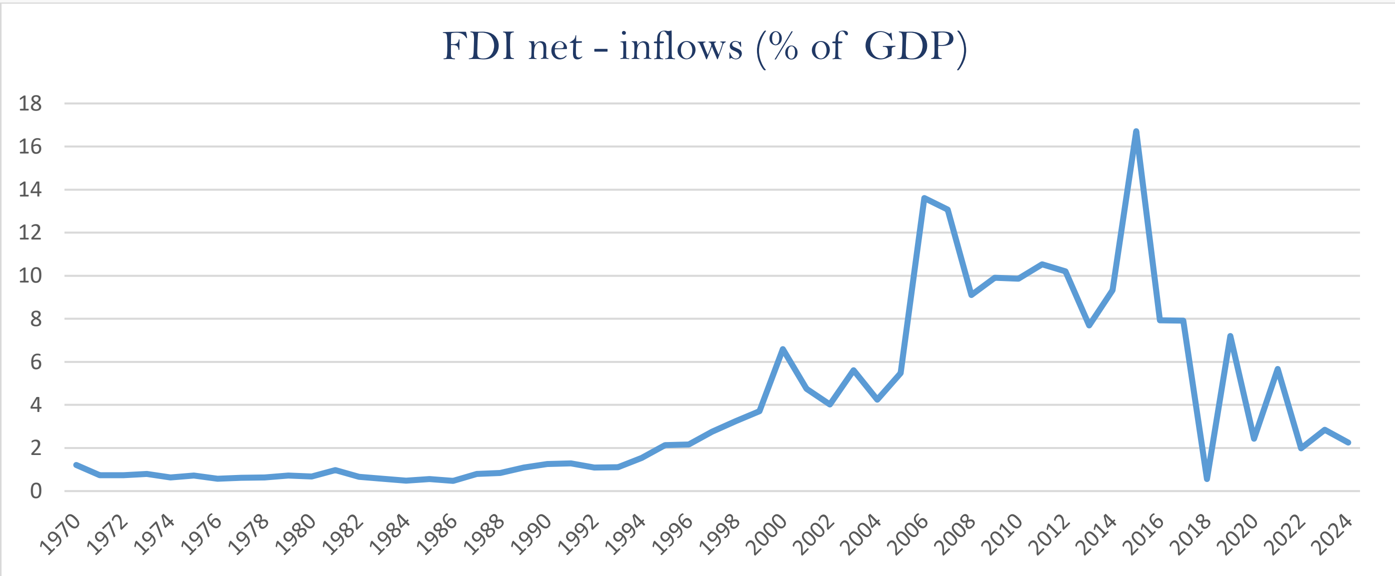
Reassessing the USA's Historical Trade Policies

The recent Trump Administration policies have caused considerable commotion in global trade markets with their "neo-protectionism" inclination. After observing historical trends, the USA has consistently used a dual strategy, promoting free trade globally while maintaining domestic protectionist measures to build its industrial power.

The Globalisation of 1990 can be perceived as a planned reconstruction of international markets, even though it was motivated by free trade and fair competition. From this perspective, the primary goal wasn't just to promote open borders for trade but also to provide capitalist corporations from developed countries access to resources and cheap labour in newly opened economies.

These multinational Corporations moved their operations to countries where labour costs are far lower and environmental restrictions are stricter. The "Free Trade" narrative justified this redistribution of manufacturing and the global value chain process. This Corporation caused new international issues by exploiting labour, natural resources and the environment in these nations, resulting in widening the gap between wealthy and developing countries.

But now, after nearly four decades, the trump administration departed from the bipartisan "globalisation" consensus that has previously been used to advocate free trade within their policies. This new shift of state intervention again safeguards domestic enterprises from international competition and fosters economic nationalism.



The Trump Tariffs and Various Negotiations :

Trump's Administration signed an executive order on July 31 this year that outlined tariff rates for individual countries. As per order, the new tariff rates were implemented on August 7 2025. Administration claimed that the main reason behind the tariff deals was to encourage manufacturing and production in the US while opening specific international markets for US goods and attracting investment opportunities.

The tariff rates for different countries do not seem to be consistent and lack principle-based methods. Both businesses and governments will now need to navigate ongoing unpredictability in trade policy while implementing proactive measures to mitigate the medium- to long-term effects of tariffs on their forecasts and financial performance.

There was a series of trade negotiations that took place between the USA and Southeast Asian countries, resulting in an average tariff rate of 19-20% with conditions for each country. In agreement with Indonesia, the tariff rate was set to 19% removing almost all restrictions on the USA's goods, including non-tariff barriers. The agreement also discussed issues such as forced labour, environmental standards, and digital commerce, while giving special importance to rules of origin to ensure Chinese products do not get benefits.

Vietnam settled on a 20% tariff rate, down from 46% but usa imposed a 40% tariff rate on transhipment goods from third countries, specifically targeting Chinese goods. After endorsing a ceasefire agreement, where USA highlighted the use of trade for border diplomatic objectives, Malaysia got its tariff rate reduced to 19%. Meanwhile, Myanmar and Laos continue to face tariffs of 40%, and Brunei's tariff increased to 25%.

In both South and North Asia, USA utilised trade negotiations to gain market access and exploit investment opportunities. Japan and South Korea sealed the deal at a 15% tariff rate and agreed to conditions such as US will gain market access to automobiles and agricultural commodities, along with a $550 billion investment in U.S. industries by Japan, while South Korea agreed to a $350 billion fund and eliminated duties on U.S. goods.

Overall, these agreements represent how USA is employing higher tariffs as economic tools and geopolitical negotiation instruments, pushing China out of supply chains while advancing investment and market access throughout Asian Markets.

India – Geopolitics and Link to Russia

The U.S.-India trade negotiation was overshadowed by geopolitical issues. Following the implementation of a 25% tariff on Indian goods, it is now doubling it to 50% on 28th August, mentioning India's ongoing imports of Russian oil. Although India was anticipating the new tariffs, it also hoped that Prime Minister Narendra Modi's strong ties with President Trump would yield a lower tariff rate, particularly after February's agreement between the two leaders to boost bilateral trade to $500 billion by 2030. India might also face non-tariff barriers on crucial export products such as pharmaceuticals and semiconductors, along with the overall tariffs related to its BRICS membership, which U.S. perceives as "anti-American". These aggressive policies have put India in a very difficult position, prompting New Delhi to adopt new strategies to navigate through it. New Delhi is trying to negotiate the deal with Washington, when states have been pressing India to allow open trade in the Indian agriculture and dairy market, but New Delhi has rejected the proposal, citing it will put small-scale farmers and cattle rearers in danger. Now, the proposed India-US bilateral trade agreement (BTA) is expected to be delayed.

Additionally, New Delhi is trying to carefully balance its economic relationship with China, easing tensions with Beijing while not neglecting existing national border and security issues. In navigating a deal with these major economies, India is also working to elevate its geopolitical standing by diversifying its trade partners and collaborating with new emerging Asian economies. To tackle Trump's tariff challenges, India is focusing on reaching an agreement with U.S. while defending its national interest. Unlike many nations that settled for unfavourable deals, India has set a firm boundary by safeguarding its agriculture and dairy sectors from American competitors, while still offering a 55% lower tariff on U.S. exports and boosting India's purchase of American defence and energy products

India's Top Export Categories (FY 2024-25)		
Product Category	Export Value (USD Billion)	YoY Growth
Petroleum Products	90.4	+5.8%
Engineering Goods	88.6	+4.3%
Agricultural Products	45.2	+3.0%
Gems & Jewellery	38.1	-3.2%
Textiles & Apparel	36.0	-1.7%
Pharmaceuticals	30.9	+7.5%
Automobiles	20.4	+6.4%

Thus far, India has favored not to retaliate to prevent further escalation that could endanger potential negotiations aimed at lessening the current tariff rates. Reports indicate that Indian officials are considering potential concessions for discussions with the U.S. later this month, which may include limited tariff reductions on select agricultural goods, specifically cheese and almonds, that would have negligible effects on local producers.

While some oil refiners in India have lowered their intake of Russian oil, India will continue on its import of Russian oil, which complies with the G-7 price cap. To diversify its trade alliance from U.S. India has been working to strengthen its economic as well as defence relations with Russia. India is also planning to negotiate the deal with China as Defence Minister Rajnath Singh visited Beijing in July of this year. The Prime Minister is also expected to attend the Shanghai Cooperation Organisation (SCO) summit in the near future. Beijing has already eased the export controls on Urea, which is heavily imported in India compared to the world.

This policy definitely contains risk factors. While negotiations have pulled up, Southeast Asian countries, such as the Philippines, Vietnam and Indonesia, have signed their trade deals with lower tariffs, with negotiations making them leading competitors in the U.S. market compared to India. In the last financial year, Indian exports to U.S. stood at 2% of its GDP. According to Goldman Sachs, a 50% tariff rate could possibly result in a 0.6% decrease in economic growth.

The United States' increasing economic relations with Pakistan's army chief and its desire to purchase the oil from Pakistan pose yet another geopolitical threat to India.

The Trade agreement negotiations by New Delhi to mitigate the Chinese economic exposure between 2021 and 2022 lost their momentum in the past two years as concerns over protecting protection of key domestic sectors and issues with the rules of origin stalled the discussion of agreements. The ongoing trade conflict is a key motive to reinitiate the negotiation with these countries to diversify the trade pattern and safeguard India's exports from both Beijing and Washington.

India recently finalised a Trade Agreement with the UK, and there are negotiations going on with Australia, South Korea EU and New Zealand. As our 15% imports come from China, these trade agreements cannot significantly mitigate the

dependency of India, but can be marked as a start.

The Diversification Policy

To safeguard the domestic industries from protectionist foreign policy by wealthy nations, India initiates many trade agreements in order to overcome the dependence of India on these economies, and to secure new markets for Indian goods in Global markets.

India's Foreign Trade Policy (FTP) 2023 has been introduced with a specific aim of boosting the country's exports to 2 trillion by the year 2030. The policy is noted for its adaptive and open-ended approach, representing a significant shift from the earlier five-year, fixed-duration policies. It prioritises process optimisation, digital transformation, and the elimination of procedural obstacles to enhance the ease of doing business for exporters. The four main pillars of the FTP—transitioning from incentives to remission, fostering collaboration with states and districts, improving business operations, and concentrating on emerging sectors such as e-commerce—are all intended to develop a flexible and responsive framework that can be modified according to changing global conditions.

India's Top Import Categories (2024)

Product Category	***Import Value (USD Billion)***
Mineral fuels, oils, and distillation products	217.94
Pearls, precious stones, metals, coins	89.44
Electrical, electronic equipment	83.47
Machinery, nuclear reactors, and boilers	60.76
Organic chemicals	25.65
Plastics	21.61
Iron and steel	17.42
Animal, vegetable fats and oils	16.75

This revamped trade framework signifies a substantial shift in policy perspective. The government acknowledges that its previous trade agreements, particularly those with East Asian countries like ASEAN and Korea, produced mixed outcomes, often resulting in widening trade deficits without a significant enhancement in domestic manufacturing competitiveness. The current approach aims to amend this by initially establishing a strong domestic foundation through initiatives like the Production Linked Incentive (PLI) scheme before expanding market access. As a result, new Free Trade Agreements (FTAs), especially those with developed Western countries such as the UK and EFTA, are designed not merely to secure market access but to deliberately attract technology transfer and investment that will improve the competitiveness of India's manufacturing industry.

The FTAs generate demand, while domestic initiatives like the National Manufacturing Mission supply the essential reforms. This interlinked strategy aspires to create a self-reinforcing cycle where domestic reforms and international trade agreements synergize to achieve India's long-term economic and geopolitical goals.

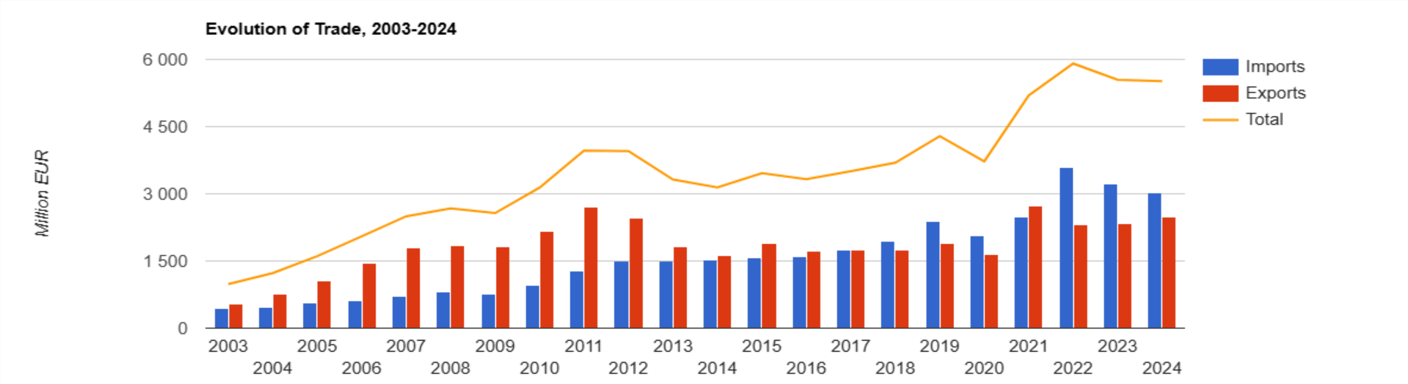
Trade and Economic Partnership Agreement between: India-Europe Free Trade Association (EFTA)

This was a Historic deal as it is India's first FTA with the EU bloc, which includes Norway, Liechtenstein, Iceland and Switzerland. The agreement strengthens Indi's strategy to diversify its trade portfolio and bolsters its export capabilities, foreign investments and supply chain elasticity.

This Trade Agreement is expected to generate investment up to $100 billion with 1 million jobs created in India within the next fifteen years. New Delhi has agreed to open 105 sub-sectors to the EFTA and received commitments in 110 from Iceland, 114 from Norway, 128 from Switzerland and 107 from Liechtenstein. India has implemented 82.7% of its tariff lines, encircling 95.3% of EFTA exports to boost trade. The reduction of tariffs for European goods lowered the costs of wine, chocolate and Swiss Cheese, with other home-décor items such as clocks and accessories like watches. Furthermore, the concessions were also granted for imports of accounting, IT, and healthcare. For India, this will also potentially increase service sector exports in the EU region, such as sporting, cultural, IT and audio-visual services.

The commitment made by EFTA for investment will focus on manufacturing companies within the country in sectors like food processing, chemicals, pharmaceuticals, and machinery, many of which are India's primary exports. New Delhi anticipates an increase in foreign investment inflows from the EU bloc, notably from the Norwegian Sovereign Wealth Fund. These investments and job creation will contribute to India's economic stability. In addition, Switzerland also established trade interests in India.

The following chart describes the trade between India and EFTA from EFTA's perspective



The India-United Kingdom Comprehensive Economic and Trade Agreement (CETA) marks a significant advancement in the collaboration between these two thriving economies. This extensive FTA caters to nearly all bilateral trade value, with 99% of Indian exports to the UK expected to benefit from zero-duty access. This ambitious agreement set to significantly enhance the current $56 billion in bilateral trade to double this amount by 2030.

An important element of the agreement is its emphasis on agriculture, where the UK will provide duty-free access to over 95% of its agricultural tariff lines. This is projected to lead to a 20% increase in India's specialised, high-value agricultural exports to the premium UK market within the next three years.

The marine products sector is expected to benefit tremendously; although India exported $8.09 billion worth in 2022-23, its share of the UK's $5.4 billion import market is only 2.25%. The removal of existing tariffs ranging from 4.2 to 8.5% on products like shrimp is predicted to unlock swift growth in this opportunity.

The agreement also enhances Indian textile manufacturing. As the fourth-largest textile supplier to the UK with a 6.1% market share, India is now well-positioned to bridge the gap with top competitors such as China and Bangladesh through the elimination of duties and trade obstacles.

The engineering sector, which constitutes a substantial 17% of the FTA's scope with 1,659 tariff lines, will now benefit from duty-free access to the UK market. Recent tariff reductions reaching as high as 18% are expected to render these goods highly competitive, potentially enabling exports to double and reach $7.5 billion by 2029-30. Likewise, the chemical sector, encompassing 1,206 tariff lines, gains duty-free access to the UK's $28.35 billion market, further solidifying India's role in this supply chain with exports projected to hit $650-750 million shortly.

Though only 56 tariff lines represent the pharmaceutical sector, its importance is considerable. The agreement boosts global competitiveness for Indian med-tech exporters by allowing medical devices like X-ray and ECG machines to be duty-free, lowering costs and enhancing healthcare exports.

In the end, CETA transcends a conventional trade agreement; it represents a strategic alliance for the future. By enhancing market access, fostering digital trade, and facilitating mobility, it establishes a solid foundation for collaboration in goods, services, investment, and innovation. It paves the way for stronger supply chains and increased economic resilience, offering tangible advantages to consumers through improved choices and competitive prices. This agreement symbolises a mutual dedication to enhancing economic integration and realizing the complete potential of a relationship grounded in trust and shared values, creating inclusive and sustainable pathways to prosperity for both countries.

India-Australia Economic Cooperation and Trade Agreement (ECTA)

The India-Australia Economic Cooperation and Trade Agreement (Ind-Aus ECTA) has achieved notable success in its initial two years, significantly enhancing economic relationships and generating fresh opportunities for businesses and jobs in both countries. One of the major accomplishments has been the near-doubling of bilateral merchandise trade, which increased from $12.2 billion in 2020-21 to $26 billion in 2022-23.

The agreement has demonstrated its effectiveness, with impressive utilization rates of 79% for exports and 84% for imports. It has fueled significant expansion in key industries such as textiles, chemicals, and agriculture, while also facilitating diversification into new product categories. This partnership offers mutual advantages, as India imports crucial raw materials to support its industries.

Capitalising on this progress, discussions for the more comprehensive Comprehensive Economic Cooperation Agreement (CECA) are in progress, with ten formal rounds already completed. Both countries are dedicated to enhancing economic integration with the aspiration of achieving a bilateral trade target of AUD 100 billion by 2030, which aligns with India's aim to attain developed nation status by 2047.

Trade Activities	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
India's exports to Australia (US$ Mn)	2,852.14	4,043.88	8,283.13	6,951.32	7,940.75
% Growth (Exports)	–	41.78	104.83	-16.08	14.23
India's imports from Australia (US$ Mn)	9,782.22	8,247.30	16,756.17	19,011.31	16,159.20
% Growth (Imports)	–	-15.69	103.17	13.46	-15.00
Total trade (US$ Mn)	12,634.36	12,291.17	25,039.30	25,962.62	24,099.95

Source: Department of Commerce, Ministry of Commerce and Industry

This agreement highlights the importance of diversified trade relations and improved economic security. Australia is more focused on industries that promise the most potential soon. The 2025 road map gives importance to four key sectors anticipated to drive the next stage of the Australia-India economic relationship:

Clean Energy: resorting to Australia's knowledge in renewable energy to assist India's sustainability objectives and promote joint research and investment efforts. Education and skills: Enhancing academic collaborations, improving vocational training initiatives, and fostering knowledge sharing to prepare a workforce ready for the future. Agribusiness: Increasing agricultural trade, enhancing food security, and developing agribusiness partnerships to satisfy India's growing demand for high-quality produce. Tourism: Facilitating cultural exchanges, streamlining visa processes, and promoting tourism initiatives to bolster interpersonal connections and stimulate economic activity.

Guided by the right strategy and a commitment to partnership, this agreement has the potential to forge a future of sustained growth and mutual prosperity for generations to come.

The India-UAE Comprehensive Economic Partnership Agreement (CEPA)

The India-UAE Comprehensive Economic Partnership Agreement (CEPA), signed on February 18, 2022, and effective from May 1, 2022, marks a pivotal moment in the bilateral relations between the two nations. It represents India's first comprehensive and full-fledged free trade agreement in a decade, encompassing a wide spectrum of economic activities, including trade in goods and services, pharmaceutical products, intellectual property rights, and investments. This landmark agreement is a testament to the deepening economic partnership and a strategic move to foster greater economic integration.

The significance of the CEPA extends far beyond conventional trade facilitation. Its primary objective is to propel the bilateral trade in goods to an impressive US100billionandtradeinservicestoUS15 billion over the next five years. This ambitious target underscores the vast growth potential that both countries aim to unlock. Furthermore, the agreement is poised to create over one million job opportunities for the Indian workforce, a direct result of the enhanced trade liberalization and expanded market access. By providing preferential market access for India's labor-intensive goods, such as textiles and engineering products, the CEPA directly supports key sectors of the Indian economy and boosts employment. Simultaneously, it grants zero-duty market access for 90% of UAE's exports to India, benefiting crucial UAE commodity exporters of petrochemicals, aluminum, and copper. The CEPA also strategically positions Indian exporters to leverage the UAE's proximity to neighboring regions, particularly the Gulf Cooperation Council (GCC) states, thereby expanding India's market reach across the Middle East.

Since its implementation, the CEPA has already yielded significant progress, demonstrating its effectiveness in fostering economic growth. The bilateral merchandise trade has nearly doubled, soaring from USD 43.3 billion in the fiscal year 2020-21 to a remarkable USD 83.7 billion in FY 2023-24. This substantial increase is a clear indicator of the agreement's success in stimulating trade flows. Non-oil exports have also shown robust growth, reaching USD 27.4 billion in 2023-24, with key contributions from sectors like refined crude, gems and jewellery, high-tech goods, and chemicals. The agreement has been particularly beneficial for Micro, Small, and Medium Enterprises (MSMEs), which have gained increased market access and witnessed a boost in employment opportunities. A notable initiative, the establishment of Bharat Mart in Dubai, further underscores the commitment to enhancing global trade for Indian businesses, providing a platform for them to showcase their products and connect with international markets. The progress made under the CEPA highlights its transformative impact and its role as a cornerstone of the future economic relationship between India and the UAE.

The shift to decentralised trade relations

The recent pandemic revealed the fragility of GSV's leading many nations to recognise the importance of diversifying their trade relations. The widespread crises showed that over-dependence on key essentials in a few major trading partners like China could greatly harm the country's economy. This shortcoming was further amplified when geopolitical tensions between nations such as USA, Russia and China escalated, creating uncertainty regarding tariffs and market access, particularly for developing.

The increasing instability in global trade, heightened by issues such as climbing tensions in the Middle East and a rise in protectionist trade measures in USA, prompted both advanced and emerging nations to explore new trade partnerships. Consequently, many countries are now actively seeking Free Trade Agreements (FTAs) with a wider array of partners, moving away from their traditional reliance on a select few economic powers. This strategic transition is aimed at achieving more stable and dependable trade flows, minimising economic risks, and building greater resilience against future global challenges. The goal is to create a more decentralised global trading system, allowing a larger number of nations to engage in and gain from stable, mutually advantageous trade relationships.

As the appointment of new judges to the WTO's appellate body has consistently been pushed, hampered the resolution of trade disputes. These issues encouraged nations to depend on rural and bilateral trade agreements, which provided more economic stability. As trade with the three dominant economic powers appears more unpredictable, there is a growing focus on bolstering regional economic integration.

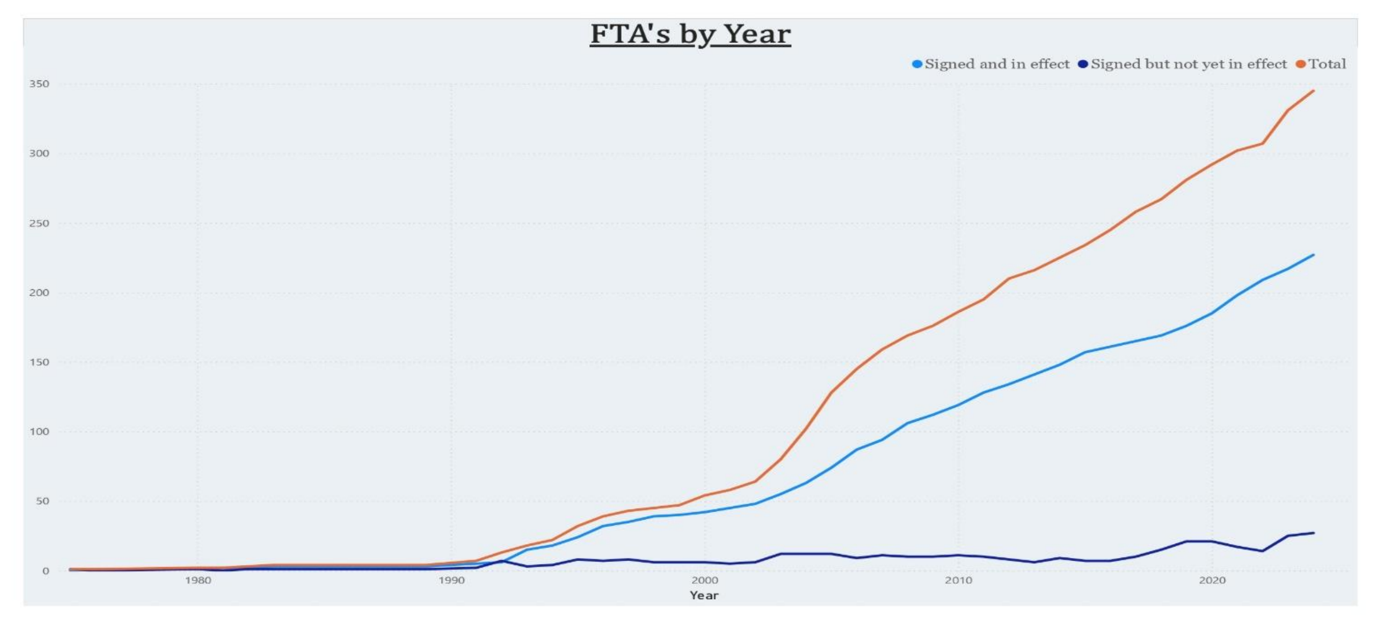
The formation of regional trade blocks also started its partnership with new economies to search for more stable export relations in recent years. The groups include **Mercosur- formed by Argentina, Brazil, Paraguay and Uruguay, as well as associate members, European Free Trade Association (EFTA) – comprising Switzerland, Norway, Iceland and Liechtenstein, ASEAN (Association of Southeast Asian Nations) and the African Continental Free Trade Area (ACFTA).** This nation not only forms trade relations but also carefully constructed economic relations which will focus on investment opportunities, job creation and discussion on issues such as improving laws to protect labour and the environment. Moreover, specific nations, like Mexico and Vietnam, are rising as "connector" countries. They are taking advantage of trade tensions by acting as intermediaries, where goods are redirected and processed to bypass tariffs and trade barriers imposed by major powers. This development further diversifies global trade and opens up new opportunities for countries with advantageous geographical and economic positions.

Republic of Korea-Philippines FTA

Under the FTA, South Korea and the Philippines will proceed with the immediate removal of tariffs on 94.8% and 96.5% of goods, respectively. According to the Korean ministry, the FTA will aid South Korea in boosting its automobile exports, as the 5% tariff on both cargo trucks and passenger vehicles will be abolished right away, while tariffs on eco-friendly vehicles will be gradually eliminated over the next five years.
The agreement with the Philippines marks South Korea's fifth bilateral free trade agreement with a member of the Association of Southeast Asian Nations (ASEAN), following those established with Singapore, Vietnam, Malaysia, and Cambodia. Although South Korea already has an FTA with ASEAN as a collective entity, it has been seeking individual agreements with member countries to enhance both diplomatic and economic ties with these emerging markets. (Yonhap)

The EFTA–MERCOSUR Free Trade Agreement

As per the deal, a free trade zone will be established, encompassing nearly 300 million people and a combined GDP exceeding US$4.3 trillion. Both parties are set to gain from enhanced market access for over 97% of their exports, boosting bilateral trade and creating advantages for businesses and individuals, according to the Brazilian government.



Brazil's foreign minister, Mauro Vieira, commented, "These results demonstrate that Mercosur is a pivotal and effective platform for integrating our economies on a global scale. We can achieve these outcomes by collaborating as a bloc. From Brazil's standpoint, in addition to market access, this agreement also maintains important policy flexibility in areas such as health access, innovation, and sustainable development." For Brazilian goods, trade access to EFTA markets will encompass nearly 99% of the export value, covering both agricultural and industrial sectors.

After the successful completion of this agreement, MERCOSUR members, especially Brazil, aim to negotiate trade deals with Japan, Indonesia, Mexico, Canada, Vietnam, and India.

Conclusion

The movement towards decentralised global trade is not solely a reaction but a deliberate shift with extensive consequences. This new phase, characterised by a multitude of diverse economic and trade agreements, will fundamentally alter global value chains. Small manufacturers, who have historically been vulnerable to a few powerful markets, will now discover new avenues for growth, while consumers will enjoy a wider selection of products. This diversification also creates a vital environment for technological spillovers, promoting knowledge exchange and innovation that enhances product differentiation. For countries like India, which boasts a significant working-age population, this offers a major opportunity to draw in global investments, provided that it can utilize its economic and technological advantages while maintaining a stable political environment.

Additionally, this shift framework directly improves the resilience of global supply chains, reducing risks tied to excessive dependence on a limited number of critical hubs—a significant vulnerability highlighted during the COVID-19. It also accelerates the development of new trade routes and "connector" economies, as supply chains are reorganised to avoid geopolitical tensions. Ultimately, the landscape of global trade will not be governed by a few dominant powers but will be influenced by a more intricate, multi-polar system that prioritises not just economic efficiency but also security, stability, and ethical factors such as sustainability.

Nevertheless, this transition comes with its own set of challenges. Moving away from a limited number of large manufacturing centers could result in a reduction of economies of scale, possibly elevating production costs and complicating logistics. To manage this, the evolving trade environment is being facilitated by the swift digital transformation of trade. Innovations such as blockchain are offering tamper-proof records for tracking supply chains, while AI-driven analytics are enhancing logistics and forecasting demand within a more decentralised framework. This also encourages governments to engage more actively, not only through Free Trade Agreements (FTAs) but also by investing in essential digital and physical infrastructure to bolster these new trade routes. In the end, this developing system indicates a more intricate, multi-polar landscape where economic stability is not solely in the hands of a few but is instead founded on a resilient and flexible network of international cooperation and rivalry.

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