



UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

EDITORIAL ANALYSIS

Trade as Strategy: India Needs a Formal Economic Statecraft Doctrine

THE HINDU

16 May 2026 · ECONOMY · IR · GS2 · GS3

CURATED & WRITTEN BY

**Bharat Choudhary**

UPSC Educator & Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

ALSO FROM THE CREATOR

BharatNotesFree UPSC notes, MCQs, PYQ analysis. **100% Free.**bharatnotes.com →

ADVERTISE

Advertise with Ujiyari

Reach thousands of UPSC aspirants daily.

epicbharat@gmail.com


Trade as Strategy: India Needs a Formal Economic Statecraft Doctrine

 The Hindu

16 May 2026

GS2

GS3

 The Hindu

4 tags ▾



INTERVIEW ANGLE

"Should India adopt a formal economic statecraft doctrine that explicitly uses trade, investment, and technology access as strategic instruments -- and how does this tension with India's WTO obligations and multi-alignment strategy?"

EDITORIAL SUMMARY:

The Hindu argues that geopolitics and economics have converged – nations now use tariffs, export controls, investment screening, and financial sanctions as strategic weapons, not merely economic tools. India, sitting at the intersection of US-China competition and West Asia conflict, must move beyond reactive trade diplomacy and develop a coherent economic statecraft doctrine that leverages its market size, demographic dividend, and strategic location while managing WTO obligations and multi-alignment relationships.

THE NEW LANDSCAPE OF ECONOMIC STATECRAFT

Traditional economic theory treats trade as efficiency-maximising and politics as a separate domain. That distinction has collapsed:

TOOL	HOW USED AS STATECRAFT
Export controls	USA controls semiconductor equipment exports (ASML, TSMC) to China; China restricts rare earth exports
Investment screening	CFIUS (USA), National Security and Investment Act (UK), India's FDI rules (border-sharing nations)
Sanctions	OFAC secondary sanctions force third-country compliance (India on Iran oil)
Tariffs	US-China tariff war; India's import substitution levies on electronics, solar panels
Technology decoupling	"Friendshoring" and "nearshoring" as alternatives to China-based supply chains
Financial sanctions	SWIFT exclusion (Russia 2022); USD settlement denial

India is both a target and a participant in this landscape – it faces US pressure on Iran oil and Russia imports while simultaneously using tariffs to protect domestic manufacturing.

INDIA'S CURRENT POSTURE – "CALIBRATED POLICY PROMISCUITY"

Former Indian diplomat Shyam Saran coined the phrase "**calibrated policy promiscuity**" to describe India's approach: maintaining relationships with multiple, often competing powers simultaneously. This explains:

- Buying Russian oil while maintaining QUAD membership
- Hosting the BRICS FM meeting while negotiating ASML technology access with the Netherlands
- Signing CEPAs with UAE and Oman while the India-GCC bloc FTA remains stalled
- Joining I2U2 (India-Israel-UAE-USA) while maintaining ties with Iran

The editorial's argument: This multi-alignment posture is tactically necessary but strategically insufficient. Without a doctrine – a stated set of principles about when and how India uses economic tools as strategic instruments – India is perpetually reactive.

THE CASE FOR AN INDIAN ECONOMIC STATECRAFT DOCTRINE

What a Doctrine Would Include

- 1 **Offensive tools:** Which export controls, investment restrictions, or market access denial India is prepared to use as leverage (e.g., refusing to ratify FTAs with countries that back adversarial states)

- ② **Defensive tools:** Investment screening frameworks (India’s current rules for border-sharing nations post-2020 are a start); critical sector protection (semiconductors, rare earths, pharmaceuticals)
- ③ **Institutional capacity:** A dedicated **Office of Economic Statecraft** (analogous to the US Bureau of Economic and Business Affairs or the EU’s DG TRADE economic security unit) – currently India’s economic and foreign policy functions are siloed between MEA and MoCI
- ④ **Red lines:** Explicit conditions under which India would apply economic coercion – and conditions under which it would resist external coercion

India’s Structural Advantages

ADVANTAGE	STRATEGIC LEVERAGE
1.4 billion consumers	Market access is a powerful bargaining chip; multinationals will make concessions for India entry
\$500+ bn IT/services exports	Technology services = strategic relationship (USA, Europe deeply dependent)
Global South leadership	India as BRICS chair and G20 past president can shape agenda for 130+ developing nations
Geostrategic location	IOR centrality; IMEC corridor; connecting Atlantic to Indo-Pacific
Pharma “pharmacy of the world”	COVID vaccine diplomacy showed this leverage; generic medicine exports to 200+ countries

WTO CONSTRAINTS – THE TRADE-OFF

A formal economic statecraft doctrine creates friction with **WTO obligations**:

- **GATT Article I (MFN):** Most-favoured nation treatment; India cannot give better terms to one country without extending to all WTO members (with exceptions for FTAs/RTAs)
- **GATT Article III (National Treatment):** Cannot discriminate between domestic and imported goods post-entry
- **GATT Article XI:** No quantitative restrictions on exports (India has faced WTO challenges on agricultural export bans)
- **Agreement on Safeguards:** Temporary measures require injury proof

India has used **Article XXI (National Security Exception)** to justify some restrictions – but overuse can undermine the rules-based trade system India benefits from.

The editorial's nuanced position: India should use the national security exception strategically and sparingly, reserving it for genuine security interests rather than industrial policy – and should invest in building multilateral coalitions (through BRICS, G20, WTO reform) that rewrite the rules to accommodate legitimate statecraft.

UPSC MAINS ANALYSIS

GS Paper 2 – International Relations

Key arguments:

- India's multi-alignment strategy needs an economic backbone – diplomatic relationships without economic leverage are incomplete
- The failure to ratify RCEP was an instinct, not a doctrine – a doctrine would provide a framework for such decisions with stated rationale and compensation mechanisms
- Economic statecraft requires institutional capacity (dedicated offices, intelligence-trade interface) that India currently lacks

GS Paper 3 – Economy

- Export controls, investment screening, and tariffs as economic tools: costs (efficiency loss, retaliation risk) vs. benefits (strategic leverage, domestic industry protection)
- India's trade deficit and import dependence reduce its coercive leverage; building export surpluses and reducing critical import dependencies is a prerequisite for effective statecraft

Keywords: Economic statecraft, policy promiscuity, multi-alignment, OFAC secondary sanctions, CFIUS, Article XXI WTO national security exception, export controls, investment screening, IMEC, I2U2, BRICS, India-GCC FTA.

The Hindu's argument is about institutional design: India's foreign policy machinery was built for a world where trade and politics were separate. The new world – where the US weaponises the dollar, China weaponises rare earths, and Europe weaponises regulatory standards – requires a different architecture. A formal economic statecraft doctrine would transform India from a country that reacts to economic coercion to one that can credibly deploy and deter it. The question is not whether India should play this game – it already is. The question is whether it wants to play it with a strategy or without one.

PRACTICE TODAY'S QUIZ



[Take the 16 May 2026 Quiz →](#)

 **RELATED DAILY ARTICLES**

16 May **Current Affairs Today -- May 16, 2026**

16 May **India Raises Petrol and Diesel Prices by Rs 3 -- OMC...**

16 May **Tripura First State to Complete All Deregulation...**

16 May **EU Includes India in Revised Aquaculture Export List --...**

← **NEWER EDITORIAL**

**Hate Speech and the Limits of Judicial
Restraint -- Why...**

OLDER EDITORIAL →

**The Rs 3 Hike Is Too Little, Too Late -- India
Needs Fuel...**



CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)[Read Full Article on Ujiyari →](#)<https://ujiyari.com/editorials/2026/05/hindu-india-economic-statecraft-doctrine/>

ALSO FROM THE CREATOR

BharatNotes

Free UPSC study platform — subject-wise notes across all 4 GS papers, Prelims MCQs, Mains answer frameworks, PYQ analysis & progress tracking. **100% Free • No Login Required.**

[Start Preparing → bharatnotes.com](http://bharatnotes.com)

📌 OPPORTUNITY

Advertise with Ujiyari

Reach **thousands of serious UPSC & State PCS aspirants** daily through our PDFs, website, and social channels.

Ideal for: Coaching institutes • EdTech platforms • Book publishers • Exam prep apps

[✉ epicbharat@gmail.com](mailto:epicbharat@gmail.com)

Write to us for rates & media kit

Free UPSC & State PCS Current Affairs · ujiyari.com · bharatnotes.com