

India's Strategic Crossroads

Navigating A
F r a g m e n t i n g
World Order

IMPACT ESSAY

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ABOUT THIS ESSAY

This impact essay constitutes a systematic analysis of India's options within the context of a transforming global security and economic architecture. It scrutinises the alignment between India's fundamental interests and its current policy trajectories, with particular attention to underlying assumptions and global transitions. The analysis proceeds from the firm premise that the post-Cold War era of unipolarity-driven globalisation has reached its end, giving way to a post-post-Cold War epoch characterised by heightened instability, recurring conflict, and economic fragmentation. Major powers, including the US, the European Union, China, and Russia, are fundamentally restructuring their economic and security models in response to these shifts. It is within this evolving global order that India's trajectory and strategic choices merit careful examination.

The essay advocates for second-generation structural reforms in land, labor, and deregulation to unlock manufacturing potential. It emphasizes the need for significantly higher defense spending, enhanced strategic partnerships with democracies, and diplomatic flexibility to prevent adversarial coalition consolidation. Unlike China, which enjoyed favorable geopolitical conditions from 1985-2014, India must complete its economic development during a deteriorating security environment, requiring immediate comprehensive reforms to maximize demographic dividend opportunities.

The essay is inspired by discussions held at the India National Lab conducted by FES Asia and FES India under the FES Asia Scenario Building and Policy Labs Program, in cooperation with CSDR and the Lee Kuan Yew School of Public Policy. Held in April 2025, the theme for the Lab was “The New Geopolitics of Asia and the Global Order of Tomorrow”. More than 20 senior experts from the Indian strategic community participated in this lab and built four scenarios for India’s geopolitical and geoeconomic future, encompassing both challenges and opportunities. The arguments presented in this essay are the author’s alone and have no bearing on the experts who participated in the Lab or any of the institutions that organized it.

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Foreword

Contemporary India faces a unique problem. Today, there is a serious recognition in Delhi that the country must undertake another set of significant structural reforms encompassing its economic philosophy, governance, and its relationship with the world. But the global structural conditions in which India would have liked to undertake those reforms no longer exist. Put differently, by the time Delhi decided to implement economic reforms and sign a series of key FTAs, the world that was conducive to such measures had fundamentally changed. This means that while Delhi must still reform, it must do so under new circumstances.

India must open up its economy, but while being careful who it opens up to; it must make its market less protected but must ensure that it remains protected from unhealthy competition; it must sign FTAs, but ensure that those FTAs do not create geopolitical vulnerabilities. Delhi must increase its global trade while decreasing the vulnerabilities that such trade induces.

For India today and in the future, its economic decisions will be significantly influenced by geopolitical developments, and as a result, decision-makers in Delhi will need to consider the geopolitical undertones of trade and economic linkages more than ever. Trade is no longer just trade; it has become inherently geopolitical.

This essay argues that the global order that shaped India's rise over the past three decades is fragmenting. The assumptions underpinning New Delhi's foreign policy since 1991—sustained American unipolarity, deepening economic interdependence, and manageable great power competition—no longer hold. In its place emerges a multipolar world characterized by strategic rivalry, supply chain weaponization, and the resurgence of conventional warfare as a key aspect of statecraft.

For India, this transition presents unprecedented challenges. Unlike China, which completed much of its economic development during the benign geopolitical environment of 1985-2014, India must navigate its developmental imperatives amid deteriorating security conditions and fragmenting global markets. The luxury of sequential focus—first economics, then geopolitics—is no longer available.

Therefore, India must not only reform, but it must do so under a new set of circumstances.

This essay arrives at a critical juncture, illuminating the dangerous gap between India's current strategic framework and emerging global realities. The convergence of China's assertive rise, Pakistan's military modernization backed by Chinese support, and Bangladesh's drift away from India creates an unprecedented security challenge. Simultaneously, India's economic model—reliant on incremental reforms and

state-led growth—has failed to deliver the manufacturing revival essential for both prosperity and military-industrial capability.

The essay's central thesis is both sobering and actionable: India requires immediate structural reforms in land, labor, and deregulation, coupled with significantly higher defense spending and enhanced strategic partnerships. The alternative—continued reliance on workarounds and piecemeal solutions—risks strategic irrelevance in an increasingly dangerous neighborhood.

At CSDR, one of our cardinal beliefs is that rigorous analysis must inform policy choices. This essay exemplifies our commitment to evidence-based research, bridging academic scholarship with practical policymaking. Dr. Raimedhi's work draws on extensive consultations with India's strategic community, including discussions from the India National Lab conducted in partnership with FES Asia in April 2025.

This essay is an urgent call to action. India's moment of reckoning has arrived, and decisions taken in the coming years will determine whether the nation emerges as a formidable power or remains constrained by challenges it could have overcome. I hope you enjoy reading this essay.

Dr. Happymon Jacob
Founder & Director, CSDR

Summary

1 The world has undergone a fundamental transition from U.S.-led unipolarity-driven globalization to a fragmented, multipolar system characterized by de-globalization, great power rivalries, rising protectionism, and heightened geopolitical conflicts. This represents a complete reversal of the post-Cold War zeitgeist that shaped India's current strategic framework since 1991. India's foreign policy and developmental trajectory were designed for a world of sustained U.S. unipolarity, a deepening liberal international order, and a manageable Chinese rise; however, these foundational assumptions no longer hold, creating a dangerous gap between India's strategic approach and global realities.

China has emerged as the primary beneficiary of globalization, commanding 30% of global manufacturing output and shipbuilding capability 232 times that of the U.S. Beijing increasingly views India as a strategic rival to be contained rather than accommodated, using economic leverage and military partnerships to constrain India's rise. This has created an unprecedented security challenge for India, which now faces China, Pakistan, and potentially Bangladesh forming an adversarial coalition. China's military buildup, Pakistan's renewed hard posture backed by Chinese support, and Bangladesh's drift away from India create the specter of coordinated pressure on multiple fronts.

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3 The U.S.-led security system is under strain due to American retrenchment and trans-Atlantic drift, meaning India can no longer rely on assured Western support during crises. The Quad has proven insufficient to counter Chinese assertiveness in the Indo-Pacific region, while the April 2020 border conflagration with China has drawn India's strategic attention away from the broader Indo-Pacific toward immediate continental threats. This has limited India's ability to emerge as a regional strategic actor and revealed the constraints of existing partnerships.

4 India's economic development faces severe constraints despite government initiatives. The approach of "growth despite pending reforms" through schemes like Make in India, Production Linked Incentive scheme, and Atmanirbhar Bharat has failed to deliver expected outcomes, with industrial investment proposals dropping dramatically from 612 in July 2021 to 118 in July 2022. Manufacturing remains stagnant despite government support, while the national champions model of supporting key conglomerates has reduced market competition, innovation, and R&D spending. This approach has made Indian industry less globally integrated and competitive while failing to address fundamental structural constraints. Loss of revenues from FTAs increased from 3.18 billion USD in 2018 to 8.74 billion USD in 2022 without proportionate export gains, highlighting the misalignment between India's trade policies and domestic reform agenda.

India's growing reliance on Chinese technology, machinery, agricultural inputs and critical minerals creates strategic vulnerabilities that Beijing is increasingly willing to exploit. China's April 2025 export controls on seven key rare earth elements, which include end-user agreements prohibiting defense applications, directly threaten India's automobile and electric vehicle sectors. While an economic partnership with China could address India's investment gaps and accelerate development, it likely creates asymmetric dependencies that exacerbate security vulnerabilities, given China's clear policy of containing India's rise. Hence, China's dominant position in global supply chains and its deliberate efforts to prevent India's access to Chinese technology complicate India's efforts to revive its manufacturing sector, while protectionist measures have failed to stimulate domestic industry.

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6 India's defense planning remains based on outdated assumptions of short, swift, and limited conflicts, as well as a reliable Russian partnership. Recent conflicts have demonstrated that modern wars can involve both precision strikes and attrition warfare, necessitating robust industrial ecosystems and substantial war reserves. India's limited war reserve stocks and underdeveloped defense industrial base encourage adversaries to underestimate India's resolve, while incentivizing the expansion of their strategic goals. Russia's proximity to China undermines its reliability as a defense partner, while India's diverse platforms create maintenance and interoperability challenges that constrain operational effectiveness.

7 India must undertake second-generation reforms in land, labor, deregulation, and regulatory rationalization to unlock manufacturing potential. Without these reforms, initiatives in semiconductors, Artificial Intelligence, and robotics will remain constrained by ecosystem deficits. Present trends toward lowering tariff rates and signing bilateral Free Trade Agreements (FTAs) must be strengthened and complemented by domestic structural reforms, rather than merely incremental approaches, to generate sustainable manufacturing growth and job creation. A significantly higher defense budget is indispensable for developing an industrial ecosystem that encompasses production, procurement, innovation, and rapid adaptation capabilities, all of which are required for the evolving nature of warfare.

Unlike China, which enjoyed favorable geopolitical conditions from 1985-2014, India must complete its economic development during a deteriorating geopolitical environment. This requires maximizing demographic dividend opportunities through immediate comprehensive reforms. India must adopt diplomatic strategies to prevent the consolidation of adversarial coalitions, emphasizing flexibility, opportunities for dialogue, and effective crisis termination mechanisms while strengthening its economic and military position. Enhanced strategic and economic cooperation with the U.S., Japan, Europe, and other democracies could help share costs of supply chain sovereignty and technology development, though success depends on India's internal capacity-building efforts. Ultimately, India's defense planning and economic development must be strategically integrated, recognizing that manufacturing prowess directly affects both economic growth and military industrial capabilities in the post-unipolar world order.

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Introduction

The world stands at the cusp of profound transformation, with great powers, rising nations, and middle powers alike navigating an increasingly complex landscape. The fundamental architecture of the global economy is witnessing a paradigmatic recalibration, from the erstwhile pursuit of efficiency to an overriding emphasis on resilience. This tectonic shift has its origins in American anxieties about China's inexorable ascent, manifesting in trade confrontations, investment restrictions, and the weaponization of export controls. The sustained economic volleys have begun to show indicators of a fragmenting global economy, increasingly organised around the imperatives of 'trust', 'partnerships', and alliance structures.

This evolving dynamic has already begun to shape India's strategic calculus, as evident in its approach to free trade agreements, the decision to exclude Chinese electric vehicles from its markets,¹ and China's retaliatory imposition of export controls targeting India. As global commerce increasingly gravitates toward configurations of strategic comfort rather than pure economic logic, India finds itself presented with an unprecedented opportunity to harness these currents and position itself as a formidable economic power. Yet this narrative remains incomplete without a rigorous examination of India's domestic economic realities, its inherent strengths, and persistent constraints. The nation's aspirations to achieve prosperity, secure technological advancement, preserve economic autonomy, and ensure strategic security may well converge in a virtuous cycle of mutual reinforcement. Alternatively, these objectives could find themselves in tension, compelling difficult trade-offs and yielding suboptimal outcomes.

Further, the inexorable erosion of American hegemony, set against the backdrop of China's relentless ascendancy, constitutes the defining mega-trend of our epoch, the fulcrum around which revolutionary transformations are unfolding. As nations recalibrate their strategic calculations in response to shifting power dynamics, wavering alliance commitments, and the opacity of adversarial intentions, the international system braces for an era marked by the resurgence of conventional warfare and intensified military competition.

For India, this presents a formidable conundrum. New Delhi remains in a critical phase of development, where sustained progress demands geopolitical equilibrium, access to diverse markets, and assurance of tranquil frontiers for at least a decade. China's ascent, coupled with its assertive posture and comprehensive military assistance to Pakistan, represents the most severe geopolitical challenge India has confronted since 1971. That this confluence occurs amid strategic ambiguity in Washington and volatility in India-U.S. strategic relations amplifies



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the predicament and deepens India's sense of strategic solitude.

Simultaneously, India's military apparatus and defence industrial base are undergoing a profound transition, having operated under the assumption of near-term stability that has proven illusory. The return of protracted attrition warfare further complicates India's defence planning paradigm, which had been predicated on the post-Cold War conception of brief, decisive conflicts. The imperative for manufacturing resurgence to capitalise on defence reforms and strategic planning is gaining recognition within policy circles. This convergence once again underscores the intricate intersection of economics, geo-economics, defence imperatives, and geopolitical realities, presenting India with a constellation of choices whose integration will prove decisive for its security and territorial sovereignty.

This impact essay, therefore, constitutes a systematic analysis of India's options within the context of a transforming global security and economic architecture. It scrutinises the alignment between India's fundamental interests and its current policy trajectories, with particular attention to underlying assumptions and global transitions. The analysis

proceeds from the firm premise that the post-Cold War era of unipolarity-driven globalisation has reached its end, giving way to a post-post-Cold War epoch characterised by heightened instability, recurring conflict, and economic fragmentation. Major powers, including the US, the European Union, China, and Russia, are fundamentally restructuring their economic and security models in response to these shifts. It is within this evolving global order that India's trajectory and strategic choices merit careful examination.



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The Great Transition: From Unipolar Optimism to Multipolar Realities

India's foreign policy and developmental trajectory since 1991 has been shaped by the mega-trends of the immediate post-Cold War world, i.e., U.S. unipolarity-led globalisation. This had led India towards closer economic alignment with global markets, lowered tariffs, a shift towards deregulation and privatisation at home, stable ties with China based on evolved forms of border management, as well as closer alignment with the U.S. to address the power gap between India and China. India's entry into the nuclear order, its membership and profile in various multilateral groupings, its pursuit of technological gains through strategic tech partnerships, as well as its broad strategic decisions regarding the Indo-Pacific, have all occurred within the aforementioned zeitgeist. Such policies emerged from the assessment that U.S. unipolarity was likely to persist for decades, the liberal international order was poised to deepen, and China's rise was manageable within the confines of unipolarity, globalization, and democratization. Geopolitical conflict and wars, in this era (1991-2022), were seen as an increasingly obsolete phenomenon, and geo-economics was expected to play a growing role in defining competition among nations. However, it is more than clear now that this zeitgeist has shifted.

An Emerging New Zeitgeist: Globalisation Betrayed

The world is undergoing de-globalisation, geopolitical fragmentation, the rise of great power rivalries, rising protectionism, trade and tech wars, attrition conflicts, nascent arms races, as well as systemic uncertainty generated by the strategic shift in Washington. For decades, within the optimistic framework of the global peace dividend, globalization and interdependent markets had incubated various forms of strategic supply chain risks and deliberate monopolization. The cumulative effect of Covid-induced supply chain disruptions, the Russia-Ukraine war, and the conflict in the Middle East has brought to the fore acute concerns about the assured and secure supply of indispensable resources.

Nation-states are only beginning to grapple with the strategic implications of the emerging new zeitgeist. Their intensifying responses, in turn, are only set to intensify negative and dangerous mega-trends. Until recently, the world's most developed countries had been the most forceful champions of globalisation



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Globalisation is also seen as facilitating the de-industrialisation of advanced economies, with industries relocating to developing countries driven by lower employment costs and more lenient regulations. In this view, globalisation has made the West both more unequal and insecure, while greatly strengthening China. For many developing countries, China has emerged as the main beneficiary of this trend, largely due to its mercantilist policies. Chinese share of global manufacturing output has, after all, reached 30 pc, an outcome that has both geo-economic as well as geopolitical implications.² For instance, as of 2025, China commands a shipbuilding capability 232 times that of the U.S.³ Clearly, the latter is deeply concerned about this mismatch that has arisen from within the post-Cold War zeitgeist.

China's Rise and the Present Zeitgeist

China's ability to combine manufacturing prowess, technology transfers, state support, and innovation (increasingly) has given it outsized benefits from the global trade of manufactured products. This has also led to the emergence of Chinese advanced manufacturing capabilities in various niche sectors, as well as entire supply chains that ultimately outcompete other players, with critical minerals being the clearest example. This outcome has recently acquired an increasing strategic dimension, both in terms of China's ability to 'blackmail' adversaries by leveraging their economic dependencies, as well as the depth that manufacturing prowess provides in generating military power that achieves both scale and technological supremacy.⁴

A trifecta of China's enlarged riches, economic leverage as well and military-industrial accretion has shaped the responses of the U.S.-led West, and in the process led to the emergence of new mega-trends that unravel the post-Cold War international order – a domino effect that begins with China's systemic and

assertive rise and passes through re-arranged global security and trading order.

Meanwhile, the U.S.-led security system – a great success since 1945 – has come under increasing strain due to such changes as well as domestic disillusionment. The U.S., in turn, finds itself overstretched in terms of resources and commitments and therefore keen on retrenchment. Reliance on U.S. security



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assurances had disincentivised self-help measures in both Europe and East Asia for decades, leading to military underpreparedness as well as secular decline in defence spending since the end of the Cold War.⁵ This, logically, leaves U.S. allies more insecure and caught between strategic acquiescence (bandwagoning with revisionist powers such as Russia and China) and radical self-help measures (nuclear temptations and arms racing) within a very short period. This mega-trend predicts greater strategic uncertainty among leading powers and increased risks of conflict.

Defense planning in the new era

Meanwhile, interpretations of the nature of modern war are changing in the wake of the Russia-Ukraine war. Whereas there had been an emphasis on short, swift, precision-driven wars in the wake of the First Gulf War, the Russia-Ukraine war has shown that modern wars may not be entirely modern and could involve both Precision-Guided Munitions (PGMs) stand-off strikes as well as attrition trench warfare. Crucially, it has laid bare the continued importance of war stamina, primarily reflected in existing stockpiles and the manufacturing base required for rapid wartime production acceleration. Much like in the interwar years, necessities related to future war planning are beginning to influence economic development models and planning. ‘High-tech wars’ had been a useful construct that also complemented the unipolarity-driven hyper-globalising system. With the return of traditional great power politics and expansionism, this is rapidly changing.

Whereas a stronger collective West provided the ballast for international liberal norms as well as the ‘rules-based international order’, the latter now suffers increasingly due to the rise of challengers, as well as the growing influence of these over large swathes of the global South and global resources. This, in turn, opens the door further towards de-democratisation as well as authoritarian militarism globally.



In sum, and before we move on to India’s present position and challenges, it is important to list the identified mega-trends that constitute the new zeitgeist explicitly

- De-globalisation
- Securitized supply chains
- Fast-weakening liberal international order
- Emerging bipolarity
- Increasing geopolitical wars and conflicts
- Greater attention to military preparedness and spending
- The return of attritional wars
- Weakening the Trans-Atlantic security system
- Weakening norms related to human rights, democracy, and liberal values

India's Present Trajectory in the Midst of the New Zeitgeist

India's abiding grand strategy has been to achieve economic development for itself, and security from its neighbouring adversaries – China and Pakistan. Given that India does not have territorial ambitions and is focused on internal goals, its polity has traditionally been relatively unresponsive to global shifts and changes. In that sense, India has always been the classic status quo state. This is reflected in India's stable defence spending despite mounting insecurity, as well as remarkable stability in terms of its foreign policy approach to the world.

Over the last few decades, India has pursued a range of economic initiatives and 'missions' to emerge as a middle-income country, achieve specific economic objectives, and prepare its military to bolster deterrence vis-à-vis a rising China and an unstable Pakistan. Geopolitically, India has sought to improve ties with the West as its primary partner of choice for trade, technology, and security (but selectively and with a greater focus on trade and technology).

As of now, however, India is positioned between a West that is in strategic readjustment and a China that is still rising (and dauntingly) along its chosen path. Delhi's broad approach has been to offer its strategic and economic partnership to the West, aiming to both fuel its internal economic growth and achieve security objectives in the process gradually. Hence, India sought to signal that it could emerge as both a key security partner and an economic safe haven. It held the promise of providing the West (as well as the wider world) with an alternative to China in terms of market size, investment opportunities, and normative political solidarity. This, however, has entailed challenges.

India's geopolitical challenges

Geopolitically, India's approach has divided the world into two zones of primary interest – the zone of great power politics (the U.S., EU, Russia, and China) and the zone of immediate and proximate security threats (China and South Asia). India's broad approach has entailed outgrowing Pakistan (transcendence) and managing China's rise through a combination of



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diplomatic, military, and strategic means. Favourable geopolitical trends, in other words, have been a strong feature of India's policy approach towards its proximate security threats, mainly China. India's increasingly close ties with the U.S. also had significant implications for Delhi's Pakistan strategy, especially during times of crisis when both India and Pakistan implicitly relied on U.S. facilitation of end to hostilities. Pakistan's shift, in terms of military hardware, from the U.S.-led West to China is a notable trend and represents newer complications.⁶

Within this configuration, Russia has remained the maverick factor – a historic strategic partner with whom strategic divergence has only grown, yet a power that India also cannot afford to ignore, especially given its continued defense reliance. While New Delhi no longer hopes for a Russia that leans towards India vis-à-vis China in the short term, it remains interested in preventing a further drift (towards China) that could have adverse strategic consequences in the future, especially during a military conflict or crisis. Within South Asia, India has sought to cultivate stronger bilateral ties while also curtailing growing Chinese influence, especially in security-relevant areas. Even here, a gradual trend has emerged since the early 2010s, leveraging India's growing partnerships (mainly with Japan and the U.S.) to offset China's increasing influence. In recent years, the region has seen only growing Chinese military and strategic influence.

Emerging challenges to India's geopolitical strategy

Since the mid-2000s, the expectation has been that the U.S.'s Asia pivot enabled a permissive environment for India's rise as an emerging great power beyond South Asia. India's increasing forays into South-East Asia, Central Asia, as well as the Russian Far-East (until 2020) represented signs of a nascent external balancing strategy. In its most ambitious framing, the strategic pathway involved India balancing China's rise in cooperation with like-minded partners, such as the U.S., Japan, and Australia. Greater geo-economic and political influence in South East Asia was expected to demonstrate to Beijing that it could not disregard India as a geopolitical factor in the region.

The present zeitgeist, however, complicates this pathway. The U.S.'s role and direction during future limited conflict with Pakistan can no longer be taken for granted. This opens the door for China to emerge as both an enabler of Pakistan and a 'hegemonic' mediator between India and Pakistan. The fast-maturing China-



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Pakistan combine represents a comprehensive threat to India, threatening to subvert India's economic and political rise and concretely endangering India's security. This is especially the case given that the military gap between India and China is increasing in the latter's favor,⁷ and Pakistan is gaining a significant advantage from China in its efforts to reduce its military disadvantage vis-à-vis India.

The Quad, despite its many achievements, is no longer seen as the magic bullet that could temper Chinese strategic assertion in the region. The specter of the U.S.-led West's strong support for India in a crisis with China has also weakened due to American overstretch as well as the trans-Atlantic drift. Under the new paradigm of hyper-transactionalism, India-U.S. strategic cooperation has become less suited for hardcore strategic cooperation in times of real crisis and conflict. India's strengthening perception of an unreliable U.S. also contributes to wariness over strategic gains via strategic closeness.

Additionally, India's border conflagration with China since April 2020 has had the effect of drawing India's attention closer to its borders and partially away from the Pacific. It has also revealed the limits of strategic partnerships in terms of outcomes as well as imposed limitations on India's ability to emerge as a strategic actor in the wider region. More recently, the latest military near-war crisis with Pakistan has revived India's strategic attention towards Pakistan's ongoing military build-up and modernisation, aided by China's fulsome assistance.⁸ Naval attention, by the same logic, could turn increasingly westward instead of towards the South China Sea.

At the same time, India's South Asian neighbours are both moving away from India while also getting closer to China, exacerbating India's regional core security concerns. This is most clearly represented in Bangladesh at present, where security aspects are already creeping in.⁹ China's ISR assistance to Pakistan in the recent conflict only further highlights the challenge posed by China's use of ties with Sri Lanka and the Maldives to oversee sensitive Indian military preparations and missile tests, including in the sub-sea domain.

As India's strategic gaze returns closer to home, its primary strategic partner (the U.S.) appears to be undergoing a strategic transition at home and with uncertain policy planning. Growing disagreement over foreign policy issues, domestic politics, and misaligned expectations has also corroded the degree and nature of strategic convergence between the two grand democracies. India is facing an acute security crisis in its immediate vicinity, while also continuing to confront the long-term challenge of China's rise. This has occurred at a time when its military is in a state of transition, and economic concerns related to



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job creation and declining investments are on the rise. To make matters worse, India's primary strategic partner appears to be in retrenchment mode and exhibiting less enthusiasm for the strategic partnership. This triumvirate of security challenges, growing domestic constraints, and strategic partner deficits forms the environmental matrix from which India will have to operate. The same cluster of challenges has also increasingly driven India's attention to the mainstay of global power – economic and manufacturing growth. Complicatedly, India's ability to navigate global disorder will be shaped by its economic prowess, while the latter itself depends on the trajectory of the geo-economic order/disorder.

India's Geo-Economic Landscape and Future Pivots

“If India is to emerge as a leading power, it must develop deep national strengths. Much of that will emanate from expanding manufacturing, as that serves as the foundation for technology. To overcome the neglect of the past, it is essential that we plan to leapfrog, especially in regard to critical and emerging technologies. This is best achieved through strong international collaboration built on trust and comfort. In a polarised and suspicious world, those doors can only be opened by effective diplomacy.”

– S. Jaishankar¹⁰

The global geo-economic landscape has shifted towards a mix of post-globalization, rising protectionism, supply-chain disruptions, and adaptations and adjustments caused by the 4th Industrial Revolution. In many senses, India has been influenced by such trends over the last decade, leading to both greater protectionism (through both tariff and non-tariff barriers) and state-led endeavors to boost investments and achieve critical tech-related goals. However, there is now almost complete consensus that the trend towards protectionism has led to negative consequences and lower growth. This calls for a reassessment of India's current economic planning trajectory.

Moreover, India's incomplete pivot towards formalisation, industrial rejuvenation, and higher productivity in the manufacturing sector remains a factor in determining its ability to make the most of its pivot towards critical sectors such as Semiconductor manufacturing, AI, and Robotics. In other words, India needs to kickstart its manufacturing production, freeing itself from the stagnation of the last decade, despite various government initiatives such as Make in India, Production Linked Incentive (PLI), and Atmanirbhar Bharat. Given the imperative of job creation for India's young workforce and a self-reliant defence industrial base, such a pivot is made essential.

For this to occur, India would have to integrate its approach to trade with its approach to domestic reforms. Imperfect alignment between the two, after all, partly explains India's unsatisfactory outcomes from FTAs. Loss of revenues from FTAs has increased from USD 3.18 billion in 2018 (approx) to USD 8.61 billion in 2022 (approx), without corresponding gains in export growth.¹¹ India's unclear and inefficient tax policies have also contributed to the dampening of investor sentiment.



India's incomplete pivot towards formalisation, industrial rejuvenation, and higher productivity in the manufacturing sector remains a factor in determining its ability to make the most of its pivot towards critical sectors such as Semiconductor manufacturing, AI, and Robotics.

At present, India is considering strong policy shifts in terms of both lowering tariff rates and signing bilateral FTAs, as well as possibly joining regional trading blocs. Such efforts would go a long way in kickstarting manufacturing, investments, and higher consumer spending over time. While semiconductors, AI, and Robotics are the future of global industry, India cannot afford to overlook traditional sources of economic growth – consumption, investment, manufacturing, and free trade. There are positive signs that the Indian government is already taking strong steps towards lowering tariffs and finalizing FTAs. Interestingly, this new dual-consensus stands in great contrast to the years 2015-16, which saw both rising tariff rates and renewed skepticism towards regional trading blocs.

It is widely understood that India will need key second-generation reforms to unleash market forces and organize capital and labor more effectively. Second-generation reforms have traditionally referred to pending and necessary reforms in land, labor, deregulation, and the rationalization of regulatory frameworks. Without such reforms, the Indian story risks unraveling, and the political proclivity towards workarounds to generate growth despite delayed reforms will continue to exact costs without generating the expected positive outcomes. India's primary trajectory towards reforms has shifted from structural reforms to what a member of the PM's Economic Advisory Council terms as 'process reforms'.¹² The latter has greatly helped streamline government processes and enhance efficiency. However, such 'incremental' reforms are insufficient in themselves to cause systemic outcomes and should be viewed as complementary to structural reforms rather than substitutes for them.

In addition to incremental reforms, governments have sought to generate growth over the past few decades by supporting key businesses and selected sectors, while deferring politically risky structural reforms. Businesses have operated in this environment, largely shielded from external competition (and increasingly from internal competition as well), thanks to government support, including generous tax cuts, subsidies, and other incentives. Despite such protections, India Inc. has struggled to generate profits, upscale, or reinvest in the Indian economy, or emerge as export powerhouses based on scale and innovation.¹³ Under-efficiency at home has, naturally, created bottlenecks in India's expanding economic influence in key regions. Present economic indicators (private investments, consumption, FDI, manufacturing as a share of GDP, and return to agricultural jobs) clearly demonstrate that the broad policy approach since the early 2000s is no longer fit-for-purpose for a changing world and needs strong calibration.¹⁴

India's Development Model: A Patchwork

Since the last decade, India has sought to approximate a national champions model of economic development in order to rapidly overcome the 'neglects of the past'. This has been based on various forms of state support to key efficient



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conglomerates, with the expectation that such firms will extend India's growth trajectory through long-term investments and innovation, especially in sectors that do not yield short-term gains. This has led to top conglomerates achieving greater influence across sectors as well as domination within specific sectors.¹⁵ Arguably, this has resulted in significant achievements in key sectors, including solar power, ports, airports, roads, telecommunications, energy, and infrastructure. However, it has also come at some cost to free market competition, resulting in lower levels of innovation, productivity, and R&D spending by private industry. Such trends have made India Inc. both less integrated globally overall and less competitive.¹⁶ Moreover, the implicit assumption guiding both the national champions model (as well as the PPP and SEZ models prior to it) has been that India could grow further and into the next stages without addressing the need for structural reforms and only via incremental reforms as well as government-directed capital investments.¹⁷ In other words, this has been yet another workaround due to political constraints related to undertaking core structural reforms.

In this context, it is worth noting that India has seen (in recent years) a radical drop in industrial investment proposals, from 612 in July 2021 to 118 in July 2022, per CEIC and Bank of Baroda Research.¹⁸ Arguably, government investment has sought to fill this gap, as indicated by a resurgence in public investment since 2019-20.¹⁹ Such capital investment, however, has not spurred sufficient stimulation to the economy.²⁰

Despite an increasing trend of boosting capital expenditure in recent years, representing close to 3 pc of GDP in recent years, India's Gross Fixed Capital Formation as a proportion of GDP (an indicator of investments in productive assets) declined from 33% in 2014-15 to 29 pc in 2023.²¹ Moreover, investments in infrastructure construction has not even stopped job losses in sectors that are fuelled by such investments, such as cement, steel and construction. The supposition of a multiplier effect of infrastructure spending may have been too simplistic while failing to take account broader economic trend-lines.

These state-led investments have also not allured greater private investments, as the economic model would have suggested. A case can be made for government financial support to be gradually driven towards defence manufacturing instead, which has more potential in terms of multiplier effects.²²

Following the 2008 global financial crisis, India experienced a decline in growth momentum, leading to a shift away from reforms and liberalization towards protectionism, a higher share of public investment over private investment, and a state-led growth model. This has not yielded the expected outcomes and has resulted in stunted growth.



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Leapfrog but also Catch-up

The geoeconomics corollary of the above approach, ‘growth despite pending reforms,’ has involved the Indian state taking the lead in facilitating industry-to-industry cooperation in key emerging and strategic sectors, such as critical minerals, semiconductor manufacturing, green energy, and electric mobility. The courting of foreign companies, such as Apple, Micron, PSMC, and Foxconn, has played a significant role in this approach.²³ The underlying rationale is the idea that the mega-trend of China plus one could be exploited by India to turbocharge its economic development in key strategic sectors. Such endeavours are expected to generate higher growth rates, assist India’s geo-economic and geopolitical rise, and cater to India’s need to leapfrog in select industries despite ecosystem deficits by embedding in emerging networks related to sunrise and emerging sectors.

However, the recent lapse of the PLI incentive scheme, the non-outcomes from China Plus One (CPO), as well as stagnant manufacturing despite the Make in India scheme, demonstrate that such an approach is also unlikely to work.²⁴ All three initiatives have been constrained by the lack of a robust manufacturing base. Hence, PLI’s success in the telecommunications sector speaks more to the maturation of the sector within the Indian economy rather than the suitability of the policy approach. The pathway towards achieving the objectives related to PLI, CPO, and MII involves internal pro-market reforms, as well as trade liberalization. Without it, India’s ambitions related to Critical and Emerging Tech (CET) will face strong bottlenecks, particularly in terms of sovereign capabilities and global competitiveness. Success in these domains will rely on overall manufacturing prowess, skill development, reforms in the education sector, enhanced public infrastructure, and conducive regulatory frameworks.

Success in the emerging and critical sectors is strategically important for India to pave the way towards greater tech self-reliance, achieve higher industrial competitiveness in the future, and establish its position as a formidable rising power. However, successes in these sectors by themselves still do not assure the resurrection of India’s growth story. The latter will require a return to more traditional development models – reform, liberalisation, and state efficiency. Large-scale welfare provisioning, such as subsidised food rations to 800 million citizens, will be necessary in the coming years.²⁵ But such measures have market-distortion costs of their own and are likely to create great strain on government finances while offering no way out of poverty for millions of Indians. India would need significant adjustments to its development model to sustain welfare measures and generate reliable sources of growth.



Successes in the emerging and critical sectors, while important for several reasons, by themselves still do not assure the resurrection of India’s growth story. The latter will require a return to more traditional development models – reform, liberalisation, and state efficiency.

The China Factor in India's Manufacturing Revival

Meanwhile, China is likely to continue emerging as a dominant force in both global supply chains and future and critical technologies. This would complicate India's efforts to pursue geo-economic objectives that appear to be aimed at weakening China's geo-economic position, thereby inviting reprisals. Moreover, the over-concentration of manufacturing in China poses a significant challenge in itself to the revival of Indian manufacturing. So far, the implicit response to this challenge has been to limit Chinese imports through various means. This has included avoiding regional trading blocs such as RCEP as well as higher tariffs.²⁶ Such barriers have not led to Indian industry stepping up to the plate, while also failing to prevent the influx of Chinese goods into the market.

At the same time, Beijing's appetite for exploiting India's economic dependency on China appears to have intensified in recent years. This has mostly taken the form of export controls on key technologies as well as critical minerals. Within China, there is an increasing discussion on the imperative of prohibiting India's access to Chinese technology and machinery, both to undercut India's rise and to prevent its employment in the defense domain.²⁷ India's growing reliance on Chinese cranes for its ports is an interesting facet in this regard, and just as India's import of Chinese tunnelling equipment has been a source of contention in previous years, including with Germany.

In April, China instituted generalised export controls on seven key rare earth elements, with an emphasis on clauses regarding end-user agreements that seek to prohibit their employment in the defence sector.²⁸

This threatens to undermine India's automobile sector and emerging electric vehicle (EV) sector, as they are crucially reliant on the same imports. Such a measure hands China a flexible and immense diplomatic leverage, complicating India's defense sector growth trajectory. This is because the automobile sector has been experiencing an increasing trend towards dual-use production, and the new rules require end-user agreements aimed at denying dual-use applications. In many senses, this development illustrates the nature of India's interdependency with its geo-economic and geo-political challenges in the post-unipolar world. China's perception of India's attempts to align with the Trump administration is arguably a significant factor in its renewed economic coercive approach towards India. Going forward, India will have to strongly consider the 'China factor' in its plans for manufacturing revival, both as a spur towards it as well as a source of complication that will require deft diplomacy.



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Could Reconciliation with China be an Elegant Solution?

Additionally, there is the prospect of an Indian government in the future coming to the conclusion that China may represent the best (as well as indispensable) economic partner in helping India take off the Indian economy. This is more likely in a scenario where socio-economic challenges mount and India considers the task of sustaining adversarial ties with China to be both self-damaging as well impractical. This could compel Delhi, within the next decade or so, to seek both external stability and fruitful economic cooperation with China. In one fell swoop, this could theoretically address both India's security and economic constraints. Unavoidable dependence on critical imports from China, increasing threat perception of a two-front war, as well as China's military over-advantage, could constitute the concrete nudges.

This could lead to a serious attempt by the two Asian powers to resolve their long-standing boundary dispute, establish a new consensus to limit strategic competition in South Asia, and foster a complementary form of economic engagement between the two economies. China could then fill India's large investment gaps in various sectors, relocate manufacturing plants and industries to India, and enable controlled forms of tech transfers. China will be additionally incentivised by the prospect of denying the U.S.'s scope for enlisting India in its geo-economic offensive against China. In the best-case scenario, India benefits greatly from such an arrangement and develops its industrial base within a strategic context marked by peace and stability. In a less sanguine (and more plausible) scenario, India finds itself increasingly enmeshed in a relationship marked by asymmetric dependencies that further exacerbate its security situation, allowing Beijing to exercise an imperial form of dominance based on military, technological, and economic advantages. History indeed provides many instances of such domineering control, including that of China itself by Japan in the early 20th Century.

Given China's recent decisions vis-à-vis the India-Pakistan war and its low regard for Indian concerns and sensitivities, it appears very unlikely that a mature rapprochement with China will be possible for India. Arguably, India's cautious attempts at stabilising ties with China in recent years have not yielded in proportionate strategic reciprocation from Beijing. China's broad approach, if anything, seems to have solidified behind the idea that relations with India will continue to be marked by strategic rivalry and necessitate a policy of denting India's rise. Increased dependency on China, which has adopted a clear policy of balancing against India's future potential rise, will be unwise and unlikely to be adopted by Indian governments.



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India's Worsening Security Environment

Until recently (perhaps 2019), India interpreted its security environment as benign, given its power advantage over Pakistan and the resort to primarily diplomatic means in containing the China threat. However, increasingly, this geopolitical threat is worsening. This is because of China's continued military buildup and strategic probes against India, strained relations with Bangladesh, and Pakistan's recent return to a hard posture against India based on military investments and ideological considerations. The specter of China using its relations with South Asian countries to keep India insecure and overstretched is becoming more real and operational.²⁹ Meanwhile, the international system itself has shifted rapidly, and especially under Trump 2.0, past assurances have faded. India will have to increasingly allocate its military resources to cater to various threats simultaneously. This will complicate both military planning and structural defense reforms, which generally require a permissive condition of relative peace and stability for at least a decade or more.

As India's adversaries increase their strategic cooperation, India will struggle to offset this through its current levels of defense spending, as well as its underdeveloped security partnerships. In all its endeavours, time will also be a crucial factor. Russia's strategic proximity to China, France's distance from and limited interest in the region, Israel's preoccupation with its security challenges, and the U.S.'s ongoing shifts in its security identity imply that India may struggle to offset the emerging coalition of adversaries through external policies and partnerships. This points towards greater self-reliance and defence partnerships that are mostly commercial in nature. In this regard, India could further enhance defence cooperation with both legacy partners (Israel, the U.S., and France) as well as emerging defence partners (Germany, Japan, Spain, Poland, Brazil, Egypt, and Ukraine). However, external partnerships cannot transform India's security context on their own and can merely build on India's internal efforts towards military reforms, strategic planning, and higher military spending. These efforts, in turn, and given the evolving nature of war, are closely tied to the growth and success of India's manufacturing sector.



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India's defence and security predicament in its proximate zone raises the obvious question: Could reliance on trade, conflict-resolution, and diplomacy help address the cumulative security challenge?

Enter Diplomacy?

India's future could see three core adversaries – China, Pakistan, and Bangladesh – and with Turkey as a distant supplier of military equipment to Pakistan and Bangladesh. India, therefore, would have to adopt a wedge strategy aimed at increasing the divide between these powers. On the face of it, Bangladesh appears to be the most plausible starting point. Pakistan could theoretically become more amenable in the future, given its growing and increasingly acute security and financial situation. Diplomatic probes need to be attempted or cultivated, not because such adversaries are trustworthy, but because India needs greater stability and predictability in its proximate zone as it rises and undertakes structural transformations. The classic military imperative of avoiding multiple-front conflict scenarios applies even to India. This means that Indian diplomacy will have to undertake serious efforts and innovations to support military planning and preparedness. The central focus, hence, should be on investing in a 'wedge' strategy that seeks to weaken the spectre of all-encompassing military pressure on India from all sides. This will require an approach that emphasizes flexibility, scope for dialogue, diplomatic sensitivity, frequent restraint, and an agile employment of both inducements and leverage. The prospect of crisis termination or crisis amelioration must be kept alive to expand the buffer space between adversarial relations and kinetic conflict. Strategic differences with China, in the meantime, appear to be the most structural and immutable, mostly owing to its continued rise and strategic approach towards India.

Meanwhile, crisis-termination (or meaningful steps towards it) with either Pakistan or China (or both) will itself require a significant strengthening of India's economic and military position. In this sense, the objectives of diplomacy and military power are already well-aligned theoretically, but require greater operational and strategic integration.

Additionally, India would continue to have a strong interest in the strategic and political direction that other smaller SA states adopt, such as Nepal, Bhutan, Sri Lanka, and the Maldives. A Pakistan military with restored prestige and a China on the strategic offensive could promisingly cooperate in a region marred by socio-economic challenges, corrupt elite networks, and mistrust and fear towards India, thereby further pulling them away from India and constraining its strategic power and choices. Such a strategy would rely on traditional means, including economic investments, military partnerships, informational and propaganda campaigns, as well as elite cultivation.



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India's Rise in a Less-than-ideal Geopolitical Context

Given the above challenges, India's path towards Vikshit Bharat will be complicated by security imperatives. Axiomatically, India would seek to achieve maximum gains in both the economic and security domains. However, there are certain challenges to this, both in terms of the economic-security trade-off and time and sequence. For comparison, China established the foundations of its rise during a very favorable geopolitical period (1985-2014), when globalization, as well as demographic trends, favored the export-led development model, and global geopolitical conflict was less acute. The spread and deepening of consumption-based economies enabled China's investment-export driven model of growth. Beijing could focus greatly on internal development, and then, from a solid basis, it could pivot towards geopolitical objectives. Although India also benefited greatly since the early 1990s due to a similar geopolitical environment, its achievement of internal economic development has lagged far behind that of China. This means that India will have to complete its internal development process in a worsening geopolitical and geo-economic environment. This factor will greatly shape India's geo-economic and geo-political choices, driving it towards either greater reconciliation with China or an approach based on stealthy hedging that seeks to maximize gains from strategic partnerships while managing relations with a rising China.

India's geopolitical strengths have been closely tied to its economic trajectory, particularly in terms of expectations from the outside world. India's pursuit of foreign policy objectives has been most successful when such hopes and expectations have been at their highest. After all, it is in the interest of both friends and adversaries to cultivate positive ties with a country of 1.4 billion that is assuredly rising and slated to take its place as a great power. It is when investors and governments assess that this trajectory is no longer certain that India's geopolitical assets weaken, and the pursuit of foreign policy objectives becomes challenging. Without radical economic and defense-related shifts at home, India's geopolitical stock value will only continue to deplete further in the future.

India-U.S.: Still hope left?

Both India and the U.S. will face the challenge of seeking greater supply-chain sovereignty in terms of key resources, including critical minerals and semiconductor chips.



India will have to complete its internal development process in a worsening geopolitical and geo-economic environment. This factor will greatly shape India's geo-economic and geo-political choices, driving it towards either greater reconciliation with China or an approach based on stealthy hedging that seeks to maximize gains from strategic partnerships while managing relations with a rising China.

Seeking such pockets of autonomy will impose significant financial and economic costs compared to maintaining assured access to the same resources under conditions of unipolar-driven globalization. This could have the effect of lowering incentives towards the geopolitical balancing of China and in favour of a modus vivendi. Greater strategic and economic cooperation could, however, lead to the emergence of coalitions that seek to combine resources and influence to share costs and reap proportionate benefits. The continuation of China's rise and the hard choices the same imposes on various countries could drive countries towards such an arrangement. These countries could include the U.S., Japan, South Korea, Australia, New Zealand, large parts of Europe, India, Indonesia, Brazil, Canada, Mexico, and so on. It will be in India's interest to both promote and actively participate in such a coalition in the future. Similar attempts, albeit on a smaller scale, have been made over the last decade. Examples of the same include IMEC, Quad, I2U2, IPEF, iCET, and the Critical Minerals grouping, among others.

Clearly, the results from the same have not been wholly satisfactory yet. Many of these initiatives have prioritized immediate imperatives related to signaling, diplomacy, and promoting cooperation among like-minded partners, with relatively less focus on operational aspects or systemic outcomes. This could change, driven by sharper and unprecedented compulsions and resultant adaptations by democratic states. The future may see greater burden-sharing and mutual reliance than has been the case during the last remaining years of unipolar-driven globalization. Hence, the India-U.S. strategic partnership is in a state of mission-doubt or rationale-searching in recent years and is likely to be revived only after new rules of engagement are agreed upon.

The U.S. will remain India's primary strategic partner for the coming decade, based on strong geopolitical, defense, and geo-economic convergences. However, the partnership is slated to deliver more in line with its potential as India acquires greater military and economic heft in the future, primarily based on its efforts. Without this shift, India-U.S. strategic convergence will remain primarily notional or less than proportionate to the scale of the common challenge – China's growing ascendancy.



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Defence Planning in a Post-unipolar World: Changing Character of War

The focus on India's defence industry and planning has remained relatively disconnected from India's discourse on both geopolitics and geo-economics over the last few decades. This has largely been a function of a relatively benign and stable global order and perceived defence sufficiency. As India enters the new zeitgeist, it has been facing increasing pressure to incorporate defence imperatives into the broader discourse on geopolitics and geo-economics. This section provides a brief explanation of the emerging pressure on India's defense architecture in light of the changing character of warfare in the post-unipolar world.

India's defence planning architecture of India has depended on five key structural variables:

- Underdeveloped domestic manufacturing of defence equipment
- Imports from partner countries: the Soviet Union/Russia, France, and so on.
- Threat assessment: Rivalry with Pakistan and the coercive threat from China
- Theory of war: short, swift, limited, and unlikely
- India's civilian-oriented political system and its biases and constraints.

Incidentally, the above-listed variables have remained remarkably stable since 1947, despite strong transitions in global geopolitics and geo-economics. India has consistently demonstrated a strong preference for short and swift wars, as well as an aversion to prolonged attritional total wars. India's political system, as well as the model of civilian control over the military, tends to nurture such a set of preferences while also discounting the possibility and scale of future conflicts. Finally, the Soviet Union/Russia's historic antipathy towards China as well as Pakistan ensured its reliability as a supplier of equipment, training, spares, and repair services.

But there have been notable changes as well. These developments are part of growing efforts towards indigenisation in recent years, the diversification of imports to create greater space for Western partners (the U.S., France, and Israel), and a shift in emphasis from the long-term military threat posed by Pakistan to China. At the same time, however, in the post-unipolar world, some of these fundamentals are shifting radically. Russia's secular decline and proximity to India's adversaries put a question mark on its reliability to a degree that can be described as unprecedented. India's belief in short and swift wars as a historic, inexorable, teleological development



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has been belied by recent conflicts in Europe and the Middle East. The imperfect ability to anticipate both China's and Pakistan's strategic intent and conflict initiation in recent years has underscored the need to question benign assumptions about the likelihood of conflict in the immediate future.

Relatedly, India's limited war reserve stocks, as well as its underdeveloped defence industrial base, have emerged as a source of deterrence depletion, as they encourage India's adversaries to underestimate India's resolve in the military domain while also incentivising the expansion of strategic goals vis-à-vis their 'common threat'. India's efforts towards indigenisation have yielded significant outcomes. However, they still do not achieve the needed scale, given that India continues to rely on a wide range of inputs as well as off-the-shelf equipment.

Given that future wars are becoming 'unknowable' in character, India's preference for a cost-sensitive and narrow approach (mainly operational) towards deterrence or coercion vis-à-vis its adversaries is becoming untenable. Moreover, to the degree that India seeks to control the terms and scope of future conflicts with adversaries (stand-off strikes, short and non-escalatory), to that degree, adversaries are aware of India's constraints, military gaps, and qualified resolve. Hence, the fundamental shift that India will have to consider is one which emphasises a robust, adaptive, and diversified capabilities profile that can cater to a wide array of threats and contingencies – from short punitive strikes to full-fledged conventional limited war. The changing character of war demonstrates that future wars are all things all at once – malleable and fixed, attrition-based as well as decisive, manned and unmanned, network-centric as well as dispersed. Traditional assumptions about both China's and Pakistan's war aims as well as military operational planning will become increasingly unreliable. Diversification and quick adaptation will be key, while planning for the next 'identifiable' war based on the last one is likely to lead to strategic errors.

This signals the need for an industrial ecosystem that encompasses design, production, procurement, innovation, and rapid adaptation. This, in turn, will require a revival of core manufacturing growth, as well as upgraded and flexible strategic partnerships, and greater privatization. This will, unfortunately, have to take place in a context that is still characterised by continued dependence on legacy Russian systems as well as a patchwork of diverse platforms and systems – a constraint India will have to accept and modify incrementally. The present trend towards strengthening indigenisation will be key, but without disregarding or neglecting key imports to address immediate security challenges. A significantly higher defence budget will be indispensable to kick-start such processes.



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Conclusions

India, as noted earlier, is a classic status quo state that wants to be left alone. However, on occasion, externally induced shocks have had the effect of mobilizing its elite (as well as the masses) towards undertaking systemic shifts. Two primary examples include India's military investments and organisational adjustments in the wake of the 1962 war with China, as well as the series of interrelated economic and trade reforms undertaken in 1991 as a result of the balance of payments crisis. In both instances, India was jolted into 'policy action' by sheer necessity. However, both policy overhauls were preceded by bodies of knowledge that had warned against unfavourable outcomes related to the status quo, the inadequacy of incremental reforms, and the need for key shifts.

India's present set of growing and interrelated challenges related to economy, security, and defence imperatives arguably represents a third 'propellant' towards systemic shift and could finally herald what Prof. C Raja Mohan describes as the 'Third Republic'.³⁰ India's efforts towards getting richer, technologically advanced, and militarily prepared as well as maintaining foreign policy independence are distinct, complex, and yet deeply interrelated trajectories. This, unfortunately, may act as a deterrent against reforms and systemic shifts, given the sheer scale of the composite challenges. Moreover, the ongoing complex overhang of 'threats and constraints' may elude clear recognition both as a reality in itself as well as the costs that will be accrued if policy action is not undertaken to address the composite whole.

However, the following key choices and decisions will be key in achieving a pareto-optimal combination of both internal goals and external aims.

- 1 Systemic reforms vs. incremental reforms** – India's choice of growth trajectory, via incremental reforms and the national champions model of development, has not led to the expected outcomes. This points towards a return to the structural reform agenda. This approach would complement India's ongoing consideration of lowering tariff rates to utilize FTAs more effectively, enhance exports, and integrate into global supply chains. India's ability to face the acute challenges over the coming decade will depend crucially on its ability to generate productivity-led growth via reforms. India's defence, geo-economic, and geopolitical imperatives hinge on this factor.

Military preparedness versus maintenance – India’s ongoing trajectory of military strengthening is characterized by maintenance needs and undergirded by long procurement cycles, as well as reduced spending on capital acquisition. There is a need for a shift in the guns versus butter debate from a zero-sum lens to one that seeks to make each mutually reinforcing. India’s defence needs, in light of increasingly accentuated threats, aging platforms, outdated doctrines, and the changing character of war, demand military preparedness based on diversified deterrence (various capabilities for various threats). Such a shift can be supported by higher defense spending, as well as key defense reforms that prioritize defense production and a resilient defense ecosystem.

2

3 Diplomatic positioning versus flexibility – In a rapidly deteriorating global order, India’s diplomatic posture based on policy positions that prioritise status goals and displays of strength over adaptation to worsening trends will require a rethink. This will be necessary to hedge between a rising China and the West in strategic readjustment. It will also be indispensable in adopting a wedge strategy towards the emerging coalition between India’s adversaries in its immediate region. In many senses, this implies enhanced dialogue with both partners and adversaries, while allowing for more flexible negotiation.

Geopolitics – India’s primary partners in trade, technology, and security are likely to be in the Western coalition of states. In an increasingly transactional world, India will have to create meaningful leverage vis-à-vis the West – a task that India has not traditionally pursued given its geopolitical sweet spot since the early 2000s. A priority towards capability-building over political signalling will also serve to avoid unwanted souring of ties with a still-rising China. India’s best bet lies in deftly building its comprehensive national power through a lower profile in the short run. Strategic autonomy remains very relevant to this task, but so does the long-term and focused cultivation of mutually beneficial tech, trade, and strategic relations.

4

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