

Daily Editorial Analysis 14 February 2026

February 14, 2026 • vajiramandravi.com



India Tested, From U.S. Sanctions to One-Sided Trade Deal

Context

- The proposed India-United States Bilateral Trade Agreement has sparked **intense political and public debate**.
- Although the agreement itself has not yet been finalised, discussions surrounding it have already revealed important questions about **India's economic policy** and foreign relations.
- The Indian government's primary objective is understandable: to **ease the burden of high U.S. tariffs** and to strengthen economic growth through expanded trade access.
- The emerging framework suggests that the agreement may extend beyond commercial cooperation and enter the realm of foreign policy alignment.

The Nature of the Negotiation Process

- **Unilateral Announcements**

- A striking feature of the negotiations is the **imbalance in communication**. Nearly all major details about the agreement have been revealed by the United States rather than India.
- The first indication of progress came from a public statement by the U.S. President, followed by executive orders and official documents released in Washington.
- India's responses, in contrast, were limited and delayed.
- This sequence creates the perception that **India is reacting to developments** rather than shaping them.
- When a joint statement appears first from one party, it raises a fundamental question: Is the agreement being negotiated between equals, or **is one side dictating the terms?**

• Implications of Asymmetry

- The communication pattern suggests a power imbalance. Instead of a mutual negotiation, the process resembles a situation in which India must adjust its policies to obtain tariff relief.
- Such a precedent is significant because it may influence the **nature of future agreements** between the two countries, not only in trade but also in strategic and defence cooperation.

The Energy Security Question

• Importance of Russian Oil

- India has relied significantly on **discounted Russian oil to ensure affordable energy** for its population and industry.
- At one point, Russia accounted for approximately 40% of India's oil imports.

• Recent Changes

- Recent data indicate a decline in Russian oil purchases despite increasing discounts.
- The **reduction appears inconsistent** with earlier policy statements prioritising affordable energy for Indian consumers.
- The change suggests that political pressure, rather than economic logic, may be shaping energy policy.

• Economic vs Political Choice

- If India abandons cheaper energy sources due to external pressure, it may compromise **domestic economic interests**.
- This situation raises a critical question: Should trade benefits justify altering independent energy decisions?

Diplomatic Consequences

• Relations with Russia and Iran

- Reducing engagement with Russia and Iran risks **damaging India's credibility** as a reliable economic partner.
- Countries that once considered India a stable and independent collaborator may reassess their trust.

• Impact on the Global South

- India has historically positioned itself as a leader among developing nations, often **resisting unilateral sanctions** not authorised by international institutions.
- Compliance with external demands may weaken this image and reduce India's diplomatic influence.

• Relations with Other Trade Partners

- Preferential treatment toward the United States could also **cause friction with other economic partners**, including the European Union and recently negotiated trade partners.
- This may complicate India's broader trade strategy.

Strategic and Geopolitical Implications

• Regional Balance of Power

- Curtailing projects such as the Chabahar port and reducing engagement with Iran could unintentionally strengthen China's regional influence.
- The agreement, therefore, has implications beyond economics and affects regional geopolitics.

• Future Agreements

- If tariff relief requires political alignment, future cooperation in defence, security partnerships, counter-terrorism, and Indo-Pacific strategies may also involve similar conditions.
- The precedent could fundamentally reshape the India-U.S. partnership.

Strategic Autonomy and Historical Context

• India's Foreign Policy Tradition

- Since independence, India has followed a policy of **strategic autonomy**, maintaining relations with multiple powers without formally aligning with any single bloc.
- This approach allows flexibility in diplomacy and protects sovereign decision-making.

• Comparison with RCEP Withdrawal

- In 2019, India withdrew from the Regional Comprehensive Economic Partnership due to concerns about economic dependence and policy constraints.
- Accepting stronger conditions in the present agreement would appear inconsistent with that earlier decision.

- **Risk to Multi-Alignment**

- The proposed trade agreement may narrow India's foreign policy options rather than expand them.
- Instead of multi-alignment in a multipolar world, India could appear increasingly tied to one major power.

Conclusion

- The **India-U.S. Bilateral Trade Agreement** offers clear economic benefits, particularly relief from punitive tariffs and greater market access.
- The manner of negotiation, the linkage of trade with foreign policy, and the **potential impact on energy security** and diplomatic relationships suggest that the agreement is far more than a commercial arrangement.
- If economic gains come at the expense of **independent decision-making**, India risks compromising its long-standing principles of strategic autonomy and diplomatic balance.

India Tested, From U.S. Sanctions to One-Sided Trade Deal FAQs

Q1. What is the main concern raised about the India-U.S. trade agreement?

Ans. The main concern is that the agreement may compromise India's strategic autonomy and independent foreign policy.

Q2. Why does the negotiation process appear unequal?

Ans. The process appears unequal because most announcements and details about the agreement have been released by the United States before India.

Q3. How is the trade deal connected to foreign policy issues?

Ans. The trade deal is linked to foreign policy because the United States expects India to reduce Russian oil imports and limit trade with Iran.

Q4. What impact could the agreement have on India's global relationships?

Ans. The agreement could weaken India's credibility with partners such as Russia, Iran, and developing nations.

Q5. Why is strategic autonomy important for India?

Ans. Strategic autonomy is important because it allows India to maintain independent decision-making and balanced relations with multiple countries.

Source: **The Hindu**

The Labour Codes Redefine Wages, Empower the Worker

Context

- India's new labour codes represent a major step toward strengthening financial inclusion and social security for workers.
- By consolidating fragmented labour laws, they aim to modernise labour governance and embed income protection, long-term safeguards, and social security into employment.
- Despite opposition and strike calls from some trade unions, the reforms seek to address historic exclusions and integrate millions of workers into formal financial and welfare systems, ensuring more equitable sharing of economic growth.
- This article highlights how India's labour codes redefine wages, expand social security, and embed financial inclusion within employment.

Reforming the Wage Definition: Expanding Social Security

• Mandatory 50% Wage Threshold

- A key reform under the labour codes is the revised definition of "wage."
- Employers must now ensure that wages (basic pay, dearness allowance, and retaining allowance) form at least 50% of total remuneration.
- Earlier, many establishments kept this share as low as 30–35% to reduce social security contributions.
- The new threshold increases contributions to Provident Fund (PF), pension, and gratuity, strengthening long-term financial security for workers.

• Gratuity for Fixed-Term Employees

- Fixed-term employees are now eligible for gratuity after one year of service, reflecting modern labour market realities.
- Previously, such workers often exited without terminal financial benefits despite productive contributions.
- Extending gratuity coverage converts short-term employment into a tool for asset creation and income stability.

• Enhancing Financial Inclusion

- PF, pension, and gratuity now function not merely as retirement benefits but as instruments of financial inclusion.
- They enable workers to accumulate savings, manage life-cycle risks, and cushion income shocks during job transitions.

• Corporate Cost vs Worker Security

- The reforms increase financial liabilities for large corporations with sizeable workforces and fixed-term employment.
- However, these higher outflows directly translate into improved worker income security, stronger purchasing power, and broader social security coverage.

- **Broader Economic Impact**

- Enhanced social security benefits contribute to:
 - Increased household consumption
 - Higher savings
 - Reduced vulnerability
- The reform thus promotes fairer value distribution between capital and labour, reinforcing dignity and long-term stability in employment relations.

Macroeconomic Impact: Labour Codes and Inclusive Growth

- **Expanding Social Security Coverage**

- The labour codes extend financial inclusion beyond organised workers to gig, platform, and unorganised workers.
- For the first time, these groups are formally recognised under labour law, enabling access to insurance, provident fund mechanisms, and welfare schemes.
- Portability of benefits across States and jobs is particularly crucial for migrant and informal workers historically excluded from stable financial systems.

- **Strengthening Income Security**

- The Code on Wages introduces a universal wage definition, mandates statutory minimum wages, limits arbitrary deductions, and ensures timely payments.
- These provisions stabilise incomes and enhance workers' participation in the formal economy.

- **Boost to Consumption and Savings**

- Redistribution of income toward workers increases purchasing power, encouraging higher consumption and improved savings behaviour.
- Unlike shareholder income, worker income largely circulates within the domestic economy, supporting demand-led growth.

- **Inclusive and Shock-Resilient Growth**

- By expanding social security and income protection, the labour codes reduce economic vulnerability and strengthen financial stability.
- They serve as instruments of inclusive growth, reinforcing social cohesion and resilience against economic shocks.

Labour Law Reform: Modernisation Amid Opposition

- **Outdated and Fragmented Legacy Framework**

- India's earlier labour laws had become fragmented and outdated, ill-suited to a rapidly evolving labour market.
- Consolidating them into four labour codes simplifies compliance, enhances transparency, and creates a more predictable regulatory environment for both workers and employers.

- **Opposition and Implementation Concerns**

- While trade unions have raised concerns and called strikes, blanket opposition often overlooks the pro-worker provisions embedded in the codes.
- Legitimate implementation challenges exist, but resistance driven by rhetoric risks obscuring tangible welfare gains.

- **Structural Shift Toward Financial Inclusion**

- The labour codes represent more than regulatory restructuring.
- By extending gratuity, broadening social security coverage, and closing legal exclusions, they promote financial inclusion and gradually redistribute economic value toward labour.

- **Aligning Growth with Social Justice**

- By strengthening income security and financial dignity, the reforms aim to align economic growth with social justice.
- Their long-term success will depend on effective implementation that ensures every worker benefits from India's growth trajectory.

The Labour Codes Redefine Wages, Empower the Worker FAQs

Q1. How does the revised wage definition improve worker security?

Ans. The 50% wage threshold increases PF, pension, and gratuity contributions, ensuring higher long-term savings and stronger social security accumulation for workers.

Q2. Why is gratuity for fixed-term employees significant?

Ans. Granting gratuity after one year converts short-term employment into asset creation, addressing historic exclusions and improving income stability for contract workers.

Q3. How do labour codes promote financial inclusion?

Ans. They extend social security to gig, platform, and unorganised workers, ensure portability of benefits, and stabilise incomes through universal wage protections.

Q4. What is the macroeconomic impact of these reforms?

Ans. Higher worker income boosts consumption, savings, and domestic demand, contributing to inclusive, shock-resilient growth rather than wealth concentration.

Q5. Why were earlier labour laws considered outdated?

Ans. Fragmented and complex regulations hindered transparency and coverage, making consolidation into four codes necessary for modern labour markets and predictable governance.

Source: TH

Source: <https://vajiramandravi.com/current-affairs/daily-editorial-analysis-14-february-2026/>

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