

AS INDIA NEGOTIATES WITH US FOR TRADE DEAL, FIRMLY HOLD CENTRE, TEST US RESOLVE & DIVE SIDEWAYS (BELGIUM & SPAIN FACEOFF IN WC....?) WHEN US ADMINISTRATION STRIKES..

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US Administration is using uncertainty as a bargaining instrument across NATO, Iran, tariffs, Greenland, China and also India. In game-theory terms, US Administration is preserving incomplete information about the "type" of bargaining. **In this context, the other side must decide whether to concede, wait, test, or counter-escalate. The short-run payoff is leverage. The long-run cost is trust depreciation with USA. Interestingly such repeated uncertainties also teaches allies, rivals and markets to discount future signals. Alternatively, if every partner learns that the final US position will be adjusted when costs rise, the bargaining value of the signal declines.**

China sits at the top of the architecture because it has credible counter-leverage: critical minerals, rare-earth magnets, manufacturing depth, export controls and supply-chain pressure. US Administration must calibrate differently with China because Beijing can impose real costs.

India sits between NATO allies and China. It does not have China's concentrated chokehold, but it has meaningful leverage: market scale, technology talent, pharmaceuticals, defense procurement, energy optionality, diaspora influence and Indo-Pacific value. India's best strategy say to get the best trade deal is to wear down the opening position, not the relationship. Keep the conversation warm, avoid public escalation, make limited and reversible offers, and wait for US Administration first demand to run into U.S. market costs, China-balancing needs and alliance fatigue. Then bargain late, when Washington's reservation price is clearer and India's value as a market, technology partner, defense buyer and Indo-Pacific counterweight is more visible.

India's strategy should be to test the resolve of the US Administration and potentially accept a high cost follow through in short run and signal that India stands its ground for the long game.... Dive sideways and test the resolve.....India will win...

Meanwhile the uncertainty still persists as even after the MoU has been signed between the USA and Iran to end the war on 17 June, however the shipping data through the Strait of Hormuz shows only limited and uneven signs of restarting. There has been only gradual return of flows rather than a broad normalization of traffic. While, crude flows have restarted in a limited way, agricultural inbound shipments show only a tentative and incomplete recovery, but LNG and fertilizer-related shipments remain effectively absent.

WHEN NOISE BECOMES STRATEGY

- ◆ **Before Spain and Belgium kick off in Inglewood on July 10, the fixture already has an eerie symmetry. Spain is the NATO ally US President has said he wants no business with. Belgium is the country whose team knocked the United States out even after the White House pressed FIFA over an American red-card appeal. They are not enemies in treaty law; that is exactly the point. As per US President, two friendly democracies can be recast as antagonists, then sent back onto the field against each other. It is like turning every relationship into a contest, making the rules feel movable and ensuring everyone else to play under uncertainty. The uncertainty itself becomes the leverage in such bargaining as information is not complete.**
- ◆ In fact, the American security guarantee, access to the U.S. market, sanctions, military capability, basing rights, critical minerals and public messaging are all part of one broad negotiation.
- ◆ That is why the surface can look fluid while the US administration method still has logic. US administration does not always need to implement the most expansive version of a policy. Often the objective is to make counterparties take seriously the possibility that the policy could proceed. **In economic parlance / game theoretic language, US Administration is trying to preserve incomplete information about the administration's type to get the best deal.**
- ◆ This is where the tariff pause-and-adjust pattern becomes more interesting than the market shorthand suggests. The pattern is familiar: announce ambitious tariff measures, observe market and diplomatic reactions, then delay, narrow or sequence the move. This move is purely a low-cost leverage. However, the problem is repetition. **If every player learns that the final position will be adjusted when costs rise, the bargaining value of the signal declines.**

THE US ADMINISTRATION BARGAINING STRATEGY

- ◆ **Firstly, US Administration shortens the time horizon and asks a practical question: what can the United States secure in the near term?** Recent patterns fit this logic. Tariff announcements are made at high intensity, markets and foreign governments react, and the final measure is then sequenced or adjusted. NATO's 5 percent defense-spending pledge also turns a long alliance debate into a near-term deliverable. Spain's resistance to that target shows how quickly a structural burden-sharing issue can become an immediate test of alignment.
- ◆ **Second, US Administration links domains others tried to keep separate.** Defense spending can become connected to tariff policy; a basing dispute can become connected to trade; Greenland can become a conversation about Arctic access, minerals, China, Denmark and NATO alignment all at once. The recent pattern is not random linkage. It is issue bundling. By placing security, trade, resources and public signaling in the same bargaining frame, US Administration raises the number of ways a counterpart may have to respond.
- ◆ **Third, US Administration makes ambiguity useful. Allies and rivals cannot always tell whether a statement is settled policy, a public signal, a negotiating opener or a market-moving anchor.** The tariff pause-and-adjust cycle, the mixed sequencing around Iran, and the careful management of NATO language all show the same mechanism: when information is incomplete, counterparts insure against the adverse case. Ambiguity therefore becomes a bargaining asset.
- ◆ **Fourth, US Administration respects leverage.** Countries that can impose meaningful costs on the United States face a different bargaining environment from countries that mainly rely on American protection. China is the clearest example. Its position in rare earths, magnets, manufacturing and export controls means it can answer U.S. tariff pressure with supply-chain costs, not only diplomatic objections. That is why the China game should be read before the NATO and Iran sections: it tells us where bargaining power meets counter-leverage.

WHY CHINA CHANGES THE GAME

- ◆ China brings concentrated counter-leverage: critical minerals and rare-earth magnets, manufacturing scale, export controls, market access and the ability to transmit costs through supply chains.

- ◆ Recent rare-earth restrictions made this visible; the United States can accelerate domestic mining, but processing and magnet capacity cannot be rebuilt overnight.
- ◆ If Washington moves too far, Beijing can respond outside the tariff schedule through licensing delays, industrial inputs, minerals or market access. US Administration therefore calibrates differently with China. The point is not deference; it is equilibrium logic. A player with credible counter-leverage changes the payoff matrix before the negotiation begins

TARIFFS BECOME THE PUNISHMENT TECHNOLOGY

- ◆ In free trade neoliberal view, trade is supposed to be a positive-sum bargain. The current US administration treats it as a punishment technology and once US conditions access its market, the other side must decide whether to cooperate, respond or wait for a policy adjustment.

NATO HAS BECOME A BARGAIN

- ◆ NATO was built to make security predictable. US Administration intervention is that it has made predictability more conditional. Protection is presented as something allies must keep financing, demonstrating and politically sustaining.
- ◆ The Hague Summit Declaration of 25 June 2025 reaffirmed Article 5 and committed allies to invest 5% of GDP annually on core defense and defense-related spending by 2035. It was a signal that US Administration had changed the alliance's bargaining environment.
- ◆ Spain shows the method in miniature. Madrid's resistance to the spending target is not treated as a narrow budget disagreement. It becomes a test of alignment, trade exposure, domestic resolve and willingness to disagree with Washington. US Administration connects one dispute to several, then makes each player evaluate which track could move next.
- ◆ **In economic parlance / repeated-game terms, US Administration adjusts the old equilibrium of trust and replaces it with a protection bargain. Allies may spend more, but they also learn that the U.S. security guarantee can be discussed as conditional. That is why the gain and the cost arrive together.**

IRAN IS THE DANGEROUS VERSION

- ◆ With Iran, the same bargaining style carries much higher stakes. Against an ally, ambiguity can produce spending pledges or reluctant compliance. Against Iran, ambiguity can produce regional disruption, oil shocks and escalation neither side may fully control.

- ◆ US Administration statements, limited military actions, ceasefire language and renewed leverage all put Tehran in a screening game. Is Washington setting a firm boundary? Is it seeking a limited concession? Is it preparing additional action? The challenge is that regimes do not only calculate material costs. A signal meant to improve leverage can make reciprocal action more likely.

GREENLAND REVEALS THE STRATEGIC MAP

- ◆ Greenland is a strategic asset: Arctic access, the GIUK gap, missile warning, rare earth potential and the contest with Russia and China. What matters is US Administration willingness to press Denmark and Greenland when strategic control is at stake.

CREDIBILITY IS THE WHOLE GAME

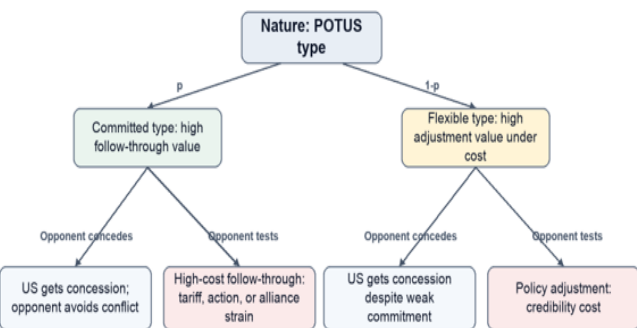
- ◆ When US Administration signals a policy, what does the other side believe? The answer is not fixed. It changes with every tariff pause, every limited action, every adjustment, every public comment and every visible concession. That is why the credibility problem is the center of the strategy, not a footnote to it.

TARIFF SIGNALING AND INCOMPLETE INFORMATION

- ◆ The tariff pause-and-adjust pattern is best understood as a belief problem. Allies, markets and rivals carry a rough estimate the type of US Administration they are facing. Every action, policy adjustment, tariff pause, market sell-off and public exchange updates that estimate.
- ◆ The lesson is simple. If the belief in US Administration resolve is high enough, the counterpart accepts terms before testing him. If it falls too low, the counterpart tests. A committed type proceeds. A flexible type adjusts. US Administration challenge is to keep the belief high without paying implementation costs too often.

Game Tree 1: Tariff signaling as incomplete information

Nature determines whether POTUS is fully committed or using a high opening position. Others update beliefs after signals, policy pauses, limited actions, etc.



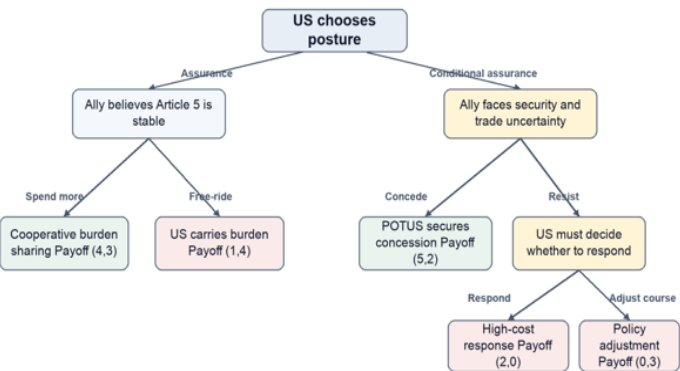
Strategic point: uncertainty has bargaining value only while p stays high enough. Too many reversals lower p; occasional follow-through raises it again.

GAME TREE 2: SUBGAME-PERFECT NATO BARGAINING

- ◆ Subgame-perfect equilibrium asks the essential question: what happens at the last move? If an ally resists, is a firm response actually worth it for the United States? If not, the signal is less credible. US Administration tries to change that calculation by making reputation, public success and deterrence part of the pay
- ◆ **If responding to an ally through tariffs or security ambiguity is too expensive, a rational United States adjusts course. To avoid it, US Administration must sometimes accept real costs. Otherwise, allies learn to wait.**

Game Tree 2: NATO bargaining and subgame perfection

Backward induction asks whether the final policy response is rational after the ally resists.



SPE point: if a response is too expensive at the last node, the signal is less credible. POTUS tries to strengthen credibility by adding reputation, public success, and deterrence value to the payoff.

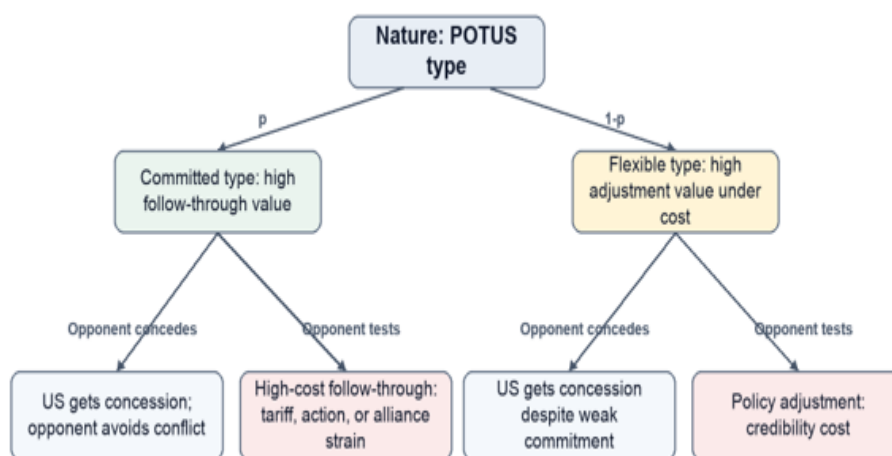
LIKELY EQUILIBRIUM

- ◆ The most likely equilibrium is not full rupture and not a full restoration of trust. It is selective concession plus hedging. Allies spend more and offer public alignment, but they also invest in strategic autonomy. Rivals test periodically but avoid steps that make U.S. escalation unavoidable. Markets learn the rhythm of announcement, sell-off, delay and rebound until one signal finally proves binding.
- ◆ The short-run payoff is visible: more allied defense spending, more bargaining attention and occasional rival caution. The long-run cost is trust depreciation. Repeated uncertainty reduces the value of U.S. commitments, encourages allies to diversify and teaches rivals to test where the binding line actually lies.

GRAPHS HAVE BEEN ENLARGED FOR BETTER READING

Game Tree 1: Tariff signaling as incomplete information

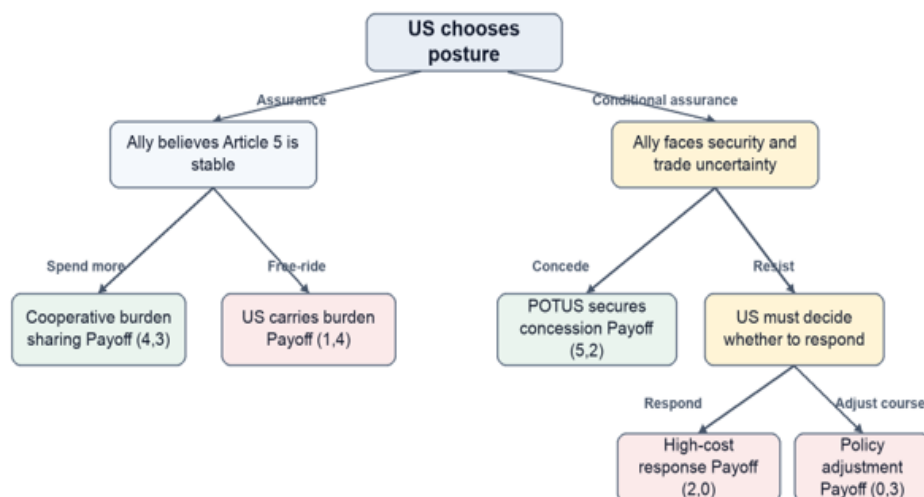
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