

SPECTRUM

Tracking Strategic Shifts Worldwide and Their Impact on India

20 June to 3 July 2026

- 1. The United States and Iran moved closer to implementing their ceasefire agreement** during the last week of June, allowing commercial shipping through the Strait of Hormuz to resume and easing fears of a prolonged disruption in global energy supplies. Oil prices retreated from their wartime highs as confidence in maritime security gradually improved, although regional tensions remain fragile. For India, this is a positive development as lower crude prices reduce the country's import bill, help contain inflation, and strengthen energy security, given that a significant share of India's oil imports comes from the Gulf.
- 2. Iran commenced a six-day state funeral following the death of Supreme Leader Ali Khamenei**, marking one of the most significant political transitions in the Islamic Republic in decades. The succession process is being closely monitored by regional and global powers for signs of continuity or policy shifts in Iran's domestic and foreign affairs. For India, political stability in Iran is strategically important as it affects energy cooperation, the future of the Chabahar Port project, and India's connectivity ambitions with Central Asia and Afghanistan.
- 3. NATO leaders intensified preparations for their annual summit amid renewed debates over defence spending, burden sharing, and the alliance's future strategic direction.** European members are expected to commit to significantly higher military expenditure while the United States continues to encourage allies to assume greater responsibility for European security. For India, this could result in greater American strategic focus on the Indo-Pacific, opening new avenues for defence cooperation and strengthening regional security partnerships.
- 4. The Russia–Ukraine conflict continued to evolve through sustained drone strikes, missile attacks and intensified military production on both sides**, reinforcing the growing importance of autonomous systems, electronic warfare, and integrated air defence in modern warfare. Despite ongoing diplomatic efforts, neither side has shown signs of a negotiated settlement. For India, the conflict continues to provide valuable operational lessons that are shaping indigenous defence modernisation, particularly in drones, precision weapons, and counter-drone technologies.
- 5. Global financial markets experienced heightened volatility as technology stocks came under pressure amid concerns over artificial intelligence investments, semiconductor valuations and expectations of tighter monetary policy.** The correction highlighted the increasing influence of AI-related industries on global capital markets. For India, while domestic markets have remained relatively resilient, prolonged weakness in global technology stocks could affect foreign investment flows into India's expanding digital economy and startup ecosystem.

6. Competition over artificial intelligence accelerated as governments and major technology companies announced fresh investments in AI infrastructure, advanced semiconductor production, and regulatory frameworks governing emerging technologies. The contest is increasingly about technological leadership as well as setting global standards for responsible AI development. For India, this presents an opportunity to emerge as a trusted leader in AI governance by leveraging its digital public infrastructure, skilled workforce, and expanding semiconductor ambitions.

7. Concerns over the global economic outlook persisted as weaker manufacturing activity, slowing services growth across Europe, and continuing geopolitical uncertainty prompted several international institutions to revise growth expectations. Although fears of recession have moderated, economic recovery remains uneven across regions. For India, slower global growth could moderate export demand, but strong domestic consumption, infrastructure spending, and structural reforms are expected to provide greater resilience than many advanced economies.

8. Countries and multinational corporations continued accelerating efforts to diversify global supply chains away from excessive dependence on single-country manufacturing hubs, particularly in sectors such as semiconductors, critical minerals, pharmaceuticals, and advanced technologies. Strategic resilience has increasingly replaced cost efficiency as the principal driver of investment decisions. For India, this trend strengthens its prospects of attracting manufacturing investments through initiatives such as Make in India and the Production Linked Incentive (PLI) schemes, positioning the country as an alternative global production hub.

9. Maritime security remained a central concern despite easing tensions in the Gulf, with governments continuing to prioritise the protection of critical sea lanes that carry a large proportion of global trade and energy supplies. International naval cooperation and freedom of navigation have become increasingly important amid persistent geopolitical uncertainty. For India, secure maritime routes through the Strait of Hormuz, the Arabian Sea, and the wider Indian Ocean Region remain vital for energy security, international trade, and its broader Indo-Pacific strategy.

10. International attention increasingly shifted from the immediate Iran conflict to its longer-term geopolitical consequences, including the future balance of power in West Asia, energy security, and the growing role of diplomacy alongside military deterrence. Governments are reassessing crisis management mechanisms to reduce the risks of wider regional conflict. For India, these developments reinforce the value of its policy of strategic autonomy, enabling New Delhi to maintain constructive relations with competing regional actors while protecting its own economic and security interests.

11. Japanese Prime Minister Sanae Takaichi paid her first official visit to India from 1–3 July for the 16th India–Japan Annual Summit, where both leaders agreed to deepen cooperation in artificial intelligence, economic security, semiconductors, critical minerals, clean energy, and defence. The two sides also adopted a joint roadmap on economic security, signed agreements on AI, energy resilience, and strategic minerals, launched their first defence co-development framework, agreed to review the India–Japan Comprehensive Economic Partnership Agreement (CEPA), and reaffirmed their commitment to a free and open Indo-Pacific and closer cooperation through the Quad. For India, the visit marks a significant step in strengthening one of its most trusted strategic partnerships, helping diversify critical supply chains, attract Japanese investment and technology, boost indigenous defence manufacturing, and reinforce India's position as a key pillar of the Indo-Pacific strategy amid growing regional competition.

12. Defence spending emerged as one of the defining global trends during the period, with NATO members, Indo-Pacific partners, and several middle powers announcing additional investments in military modernisation, indigenous production, and emerging technologies. The changing security environment has accelerated defence industrial cooperation across multiple regions. For India, rising global defence expenditure creates opportunities for expanding defence exports while reinforcing the importance of achieving greater self-reliance under the Atmanirbhar Bharat initiative.