Indian Economy · GS - III

Examine how geopolitical risks and changing global supply chains are influencing foreign investment decisions. Discuss the implications of these trends for India.

EXAM YEAR	PAPER	SUBJECT
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MARKS	WORD LIMIT
10	~150 words

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Answer Hint

Geopolitical uncertainty; supply-chain diversification; foreign direct investment; manufacturing resilience; market proximity; technology transfer; investment competition; India's manufacturing strategy

Model Answer

Introduction

Global supply chains are being reshaped by geopolitical tensions, trade uncertainty and the need for greater resilience. Asian companies from Japan, South Korea and Taiwan are increasing investments in the United States to strengthen manufacturing capacity and access the North American market.

Drivers and Implications

Companies are diversifying production locations to reduce dependence on particular regions and minimise disruption risks. Large capital investments can strengthen manufacturing networks, create employment and facilitate technology development. However, these shifts may intensify competition among countries seeking investment and advanced manufacturing capabilities.

Implications for India

India can attract investment by improving infrastructure, logistics, policy predictability and workforce skills. Participation in global value chains can generate employment, expand exports and support technology transfer. However, India must compete with established manufacturing destinations and address regulatory, logistical and skill-related constraints.

Way Forward

India should strengthen domestic manufacturing ecosystems, deepen trade partnerships, improve ease of doing business and support research and development. Stable policies and efficient supply-chain infrastructure can improve investor confidence.

Conclusion

Changing supply chains present both opportunities and challenges. India can benefit by combining domestic capacity-building with deeper integration into global production networks.

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