Indian Economy · GS - III

Discuss the significance of Free Trade Agreements (FTAs) for India's economy. What challenges arise while negotiating tariff reductions on imported goods?

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 23/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Trade liberalisation, consumer benefits, export opportunities, domestic industry, tariff revenue, employment, phased reductions, safeguards.

Model Answer

Introduction:

Free Trade Agreements (FTAs) are agreements between countries to reduce or eliminate trade barriers and facilitate cross-border commerce.

Significance of FTAs for India

1. Market access: Provide Indian exporters with greater access to international markets.
2. Consumer welfare: Lower import duties can reduce prices and expand product choices.
3. Investment and technology: Encourage foreign investment, competition and technology transfer.
4. Economic growth: Promote trade, productivity and integration into global value chains.

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Key Challenges

1. Domestic industry: Cheaper imports may increase competitive pressure on Indian manufacturers.
2. Employment: Vulnerable sectors may face production losses and job displacement.
3. Revenue concerns: Lower customs duties may reduce government revenue.
4. Trade imbalance: Import growth may exceed export growth in certain sectors.
5. Negotiation complexity: Countries differ over sensitive products, standards and market-access conditions.

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Way Forward

India should adopt phased tariff reductions, safeguard sensitive sectors, strengthen domestic competitiveness and negotiate reciprocal market access.

Conclusion:

FTAs can support India's economic growth when trade liberalisation is balanced with domestic industrial development, employment protection and long-term competitiveness.

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