Indian Economy · GS - III

What are the challenges before the Indian economy when the world is moving away from free trade and multilateralism to protectionism and bilateralism? How can these challenges be met?

EXAM YEAR	PAPER	SUBJECT
2025	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Protectionism, tariffs, trade diversion, WTO, exports, supply chains, MSMEs, bilateral FTAs, trade diversification, competitiveness, Atmanirbhar Bharat

Model Answer

Introduction

The global trading system is witnessing greater protectionism, industrial subsidies and geopolitical fragmentation. For an export-oriented emerging economy like India, this creates both risks and opportunities.

1. Challenges

First, tariff and non-tariff barriers can reduce India's export competitiveness. Second, weaker multilateralism may fragment global markets and complicate WTO-based dispute settlement. Third, supply-chain disruptions can increase import costs for energy, electronics and critical inputs.

Indian MSMEs may face difficulties meeting diverse standards across bilateral markets. Trade diversion can also intensify competition from subsidised producers.

2. Way forward

India should:

1. Diversify export destinations and strengthen strategically beneficial FTAs.
2. Improve logistics, infrastructure and customs efficiency.
3. Increase R&D, productivity and technological competitiveness.
4. Integrate Indian firms into resilient global value chains.
5. Negotiate mutual recognition of standards and reduce non-tariff barriers.
6. Continue advocating a rules-based multilateral trading system through the WTO.
7. Build domestic capabilities in critical sectors without adopting inefficient protectionism.

Conclusion

India should pursue “competitive integration”—strengthening domestic capabilities while remaining deeply connected with global markets. Strategic diversification rather than isolation can convert fragmentation into an opportunity.

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