Indian Economy · GS - III

Examine the opportunities and challenges presented by the India-EU Free Trade Agreement for India's export-oriented MSME clusters. Discuss the measures required to improve their competitiveness in the European market.

EXAM YEAR	PAPER	SUBJECT
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MARKS	WORD LIMIT
10	~150 words

Answer Hint

Preferential market access, Tiruppur textile cluster, Moradabad brassware industry, Rules of Origin, MSME competitiveness, export diversification, non-tariff barriers, CBAM, environmental compliance, green technology, quality certification, cluster-based infrastructure and export facilitation.

Model Answer

Introduction

The India-EU Free Trade Agreement offers opportunities for Indian exporters through improved market access and reduced trade barriers. Export-oriented MSME clusters such as Tiruppur and Moradabad can benefit from greater access to European markets.

Opportunities

Tiruppur's textile industry and Moradad's brassware sector can expand exports, attract investment and generate employment. Preferential tariffs can improve the price competitiveness of Indian products and diversify export destinations.

Major Challenges

Complex Rules of Origin requirements may increase documentation costs. European environmental and sustainability standards, including CBAM requirements for covered products, can create compliance challenges. Limited access to finance, technology and certification facilities further affects MSMEs.

Way Forward

Cluster-level export facilitation centres, simplified origin documentation, affordable green technology, common testing facilities and easier access to credit are essential. MSMEs should also adopt energy-efficient production and sustainable supply-chain practices.

Conclusion

The trade agreement can strengthen India's export competitiveness if market access is complemented by technological modernisation, regulatory preparedness and institutional support for MSMEs.

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