Indian Economy · GS - III

To what extent can preferential tariff access create a durable export advantage for India? Examine the domestic reforms required to convert such an advantage into long-term manufacturing competitiveness.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 27/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Preferential market access, trade agreements, rules of origin, global value chains, logistics efficiency, agricultural sensitivities, manufacturing competitiveness

Model Answer

Preferential tariff access can improve India's relative position in major export markets by reducing the cost disadvantage faced by its exporters. However, tariff concessions alone cannot ensure sustained export growth.

1. Opportunities created by preferential access

1. **Price competitiveness:** Lower tariffs can make Indian products more attractive to importers, particularly in labour-intensive sectors such as textiles, garments, footwear and leather.
2. **Export diversification:** Better access to the US market can reduce excessive dependence on a limited number of destinations.
3. **Investment attraction:** Greater market certainty may encourage domestic and foreign firms to establish export-oriented manufacturing facilities in India.

4. **Employment generation:** Expansion of labour-intensive exports can create jobs, particularly for women and semi-skilled workers.

2. Structural constraints requiring reform

1. **High logistics costs:** Port congestion, fragmented transport networks and inefficient customs procedures increase delivery costs and weaken competitiveness.
2. **Supply-chain integration:** Indian manufacturers need reliable access to quality intermediate goods while complying with rules of origin and supply-chain transparency requirements.
3. **Domestic regulatory barriers:** Complex compliance requirements, inconsistent standards and limited economies of scale raise production costs.
4. **Agricultural sensitivities:** Market-opening concessions must consider the livelihoods of small farmers and the interests of vulnerable rural communities.

3. Policy priorities

India needs targeted logistics investment, predictable trade regulations, competitive manufacturing ecosystems, quality certification and greater integration into global value chains. Trade negotiations should combine market access with safeguards for sensitive sectors.

Conclusion

Preferential tariffs provide an opportunity, not a permanent competitive advantage. India's long-term gains will depend on productivity, supply-chain reliability, infrastructure and the ability to meet international quality standards.