Indian Economy

“India’s growing trade deficit with China reflects structural weaknesses in domestic manufacturing and raises concerns about economic security.” Critically examine the statement and suggest measures to reduce India’s excessive import dependence.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 14/10/2026	—	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Trade deficit, import dependence, electronics and telecom equipment, manufacturing gaps, technology dependence, supply-chain vulnerabilities, border tensions, Make in India, PLI schemes, R&D, export competitiveness, supply-chain diversification, Atmanirbhar Bharat.

Model Answer

Introduction:

India’s reported trade deficit with China exceeding $100 billion in 2026 highlights the gap between domestic demand for industrial goods and India’s capacity to produce competitive alternatives.

Challenges and Implications:

India’s dependence on Chinese electronics, machinery, telecom equipment and intermediate goods reflects gaps in manufacturing scale, technology, research and component production. This dependence can expose industries to supply-chain disruptions and increase strategic vulnerabilities amid border tensions. However, a bilateral trade deficit does not, by itself, indicate an overall balance-of-payments crisis, as trade with other countries and services exports also matter.

Measures to Address the Deficit:

India should strengthen domestic manufacturing through targeted production-linked incentives, investment in research and development, skill development and support for MSMEs. Improving logistics, infrastructure and ease of doing business can raise export competitiveness. Diversifying import sources and developing domestic capacity in critical sectors can reduce excessive dependence without disrupting essential industrial inputs.

Conclusion:

India must move beyond import substitution towards technologically advanced, globally competitive and export-oriented manufacturing to strengthen economic resilience and strategic autonomy.

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