Indian Economy · GS - III

How can India balance tariff liberalisation under Free Trade Agreements with the protection of domestic industries and enforcement of regulatory standards?

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 25/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Tariff rationalisation, rules of origin, domestic industry, non-tariff barriers, customs compliance, consumer protection, trade competitiveness, WTO framework

Model Answer

Introduction

Free Trade Agreements (FTAs) promote trade by reducing tariffs and improving market access. However, their implementation requires balancing international commitments with domestic economic interests and regulatory safeguards.

Key Considerations

1. **Domestic industrial protection:** Gradual tariff reduction and appropriate safeguards can help vulnerable domestic industries adjust to international competition.
2. **Export competitiveness:** Lower import duties on intermediate goods and technology can reduce production costs and improve India's integration into global value chains.
3. **Rules of origin:** Effective verification prevents third-country goods from exploiting preferential tariff concessions through simple trans-shipment.
4. **Regulatory compliance:** Imported products must satisfy applicable labelling, quality, safety and consumer-protection requirements even when they receive preferential tariffs.

5. **Revenue considerations:** Tariff rationalisation should account for customs revenue implications and the potential benefits of increased trade volumes.

Challenges

1. Domestic industries may face adjustment pressures from cheaper imports.
2. Complex customs procedures and inconsistent interpretation can delay shipments.
3. Non-tariff barriers may undermine the benefits of negotiated tariff concessions.
4. Weak enforcement can encourage misclassification and circumvention of trade rules.

Way Forward

1. Establish transparent and predictable customs procedures.
2. Strengthen rules-of-origin verification and risk-based inspections.
3. Provide technology, credit and skill support to domestic industries.
4. Use WTO-consistent trade remedies against demonstrable unfair trade practices.
5. Ensure regular consultation between exporters, importers and industry associations.

Conclusion

Successful trade liberalisation requires more than reducing customs duties. A predictable regulatory framework, competitive domestic industry and effective enforcement can ensure that FTAs generate sustainable and mutually beneficial economic gains.