International Relations · GS - II

Assess the implications of protectionist trade measures in strategic industries for global value chains and the competitiveness of developing economies like India.

EXAM YEAR	PAPER	SUBJECT
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MARKS	WORD LIMIT
15	~250 words

Answer Hint

Protectionism, strategic industries, global value chains, trade retaliation, domestic manufacturing, input costs, WTO framework

Model Answer

Protectionist measures such as tariffs on steel and aluminium are increasingly being used to protect domestic industries and address concerns regarding industrial capacity and national security. However, their effects extend across interconnected global value chains.

Implications for developing economies

1. **Export competitiveness:** Higher tariffs can restrict market access for developing-country producers, affecting exports, investment and employment.
2. **Domestic industry protection:** Tariffs may provide temporary relief to domestic manufacturers and encourage investment in strategic sectors.
3. **Higher input costs:** Industries dependent on imported metals, machinery and intermediate goods may experience increased production costs.
4. **Trade retaliation:** Affected countries may impose countermeasures, escalating bilateral trade tensions.

5. **Supply-chain fragmentation:** Unilateral restrictions can encourage businesses to diversify production locations, potentially disrupting established global value chains.

Challenges for India

India must balance protection of its steel and aluminium industries with the interests of downstream sectors such as automobiles, infrastructure and engineering. Excessive protection may reduce competitiveness and increase costs for domestic consumers.

Policy response

1. Pursue bilateral negotiations and use WTO dispute-settlement mechanisms where appropriate.
2. Diversify export markets and strengthen trade partnerships.
3. Improve domestic productivity, technology and infrastructure.
4. Support affected industries through targeted competitiveness-enhancing measures rather than indefinite protection.

Conclusion: Strategic protection may address specific industrial vulnerabilities, but prolonged unilateral tariffs can undermine global trade efficiency. India requires a balanced approach combining domestic industrial development with predictable, rules-based international trade.

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