



## EDITORIAL: INDIAN EXPRESS

**GENERAL STUDIES 3: ECONOMY**

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### India's second 1991 moment

#### 1. Context: Trump Tariffs and Global Rebalancing

- The **U.S. imposed sweeping tariffs** under the Trump administration, targeting Chinese goods and triggering major global trade disruptions.
- These tariffs, though originally presented as reciprocal trade corrections, have evolved into a **geopolitical strategy** aimed at **containing China's rise**.
- This development presents **India with a historic opportunity** to rethink its trade and investment policies in a changing global order.

#### 2. The Uncertain Nature of Trump Tariffs (TT)

- The article highlights the **complex and unpredictable character** of Trump Tariffs, noting that even experts are unsure of their full implications.
- TT is **not just economic policy**, but signals a **new global economic and strategic alignment**.
- Their **sudden and wide-ranging** application caught many countries off-guard, indicating a **long-term shift** rather than a short-term reaction.

#### 3. TT as a Political Weapon, Not Just Economics

- Trump Tariffs are seen as a **political response** to China's **long-term ambition** to displace the U.S. as the world's economic leader.
- China's strategy involves:
  - A **mercantilist model**: export promotion, import suppression, and accumulation of foreign reserves.
  - Utilizing its **population advantage** and **state-driven control** to dominate global trade.
- TT thus represents a **strategic countermeasure**, not a routine economic policy tool.

#### 4. China's Mercantilist Economic Model: The Data Speaks



- China's success lies in its **export-oriented economy**, with a consumption-to-GDP ratio of only **35% in 2010**.
- From 1996 to now, China's share of global manufactured exports **rose from 4% to 30%**, signaling its global manufacturing dominance.
- This contrasts starkly with a **declining manufacturing base in the U.S.**, once the post-WWII leader.

## 5. Bipartisan U.S. Response: Escalation, Not Reversal

- The **anti-China tariff regime continued under President Biden**, showing **rare bipartisan unity** in American policy.
- On **April 2**, new tariffs were introduced on all imports, but a week later, it became clear that **China was the main target**—with tariff rates reaching **125%** on some goods.
- This policy continuity reveals a **deep-rooted strategic realignment**, not a political gimmick.

## 6. India's Opportunity: Liberation from Self-Restraint

- For India, April 2 was not about restrictions, but about **liberation from its own policy inertia**.
- Despite enjoying consistent **GDP growth of 6.2% over 30 years**, India has **underperformed** in trade and FDI integration.
- India has largely **missed out** on the **post-China global value chain shift**, unlike **Bangladesh and Vietnam**, which adapted quickly.

## 7. Foreign Investment Woes: A Comfort-Driven Complacency

- India's **FDI-to-GDP ratio** has dropped from 2.5% to below 1%.
- This decline is linked to:
  - The **2015 Bilateral Investment Treaty (BIT)**, which mandates that disputes be resolved in **Indian courts**, viewed as slow and unreliable.
  - A **false assumption** that India's attractiveness alone would suffice to draw investors—leading to complacency.
- This self-imposed rigidity has **alienated global investors**, even as India aspires to be a global player.

## 8. India Missed the Post-2010 Manufacturing Shift

- As China moved up the value chain after the 2008 financial crisis, **lower-end manufacturing jobs shifted globally**.



- **Bangladesh and Vietnam** capitalized on this, but India remained **stagnant** due to its reluctance to reform.
- Once again, **policy comfort zones and vested interests** prevented India from seizing a historic opportunity.

## 9. Domestic Resistance to Economic Reforms

- Political opposition and **powerful industrial lobbies** within India resist reforms that may disrupt their dominance.
- The **backlash to the 2020–21 farm laws** shows the **political cost** of introducing even well-intentioned reforms.

This creates a preference for **symbolic, non-economic reforms** rather than **real structural changes**.

## 10. TT as an External Push for Reform

- The global anti-China sentiment provides India with a **“helplessness excuse”** to justify reform.
- India can now frame reforms not as internal policy choices, but as **externally compelled necessities**, reducing political backlash.
- With the **West actively seeking to promote India as a counterweight to China**, this is a moment India can use to **leverage international goodwill**.

## 11. India’s Strategic Demographic Advantage

- India is entering a demographic sweet spot with:
  - A **growing educated youth population**.
  - A **surplus of AI and tech talent**, poised to surpass China’s educated workforce soon.
- With supportive policies, India can transform this into **global competitiveness**, particularly in **AI, manufacturing, and digital services**.

## 12. The Two Paths Ahead: Continuity or Acceleration

- India faces a **choice between two economic trajectories**:
  - Continue with **6.2% growth**, driven by cautious policymaking.
  - Shift gears with **bold trade and FDI reforms** to achieve **7.5–8.5% growth**.
- The article warns: **“Comfort kills reform”**—without disruption, India may miss the momentum again.





## 13. A New 1991 Moment: Liberalization 2.0?

- India is reportedly close to a **Bilateral Trade Agreement with the U.S.**, and is in talks with the **UK and EU**.
- This moment is being compared to **1991**, when India undertook sweeping liberalization in response to a balance of payments crisis.
- This time, it's not a **financial crisis**, but a **geopolitical opportunity** that should drive transformation.

## 14. Conclusion: From Missed Chances to Strategic Realignment

- The **Trump Tariffs and global realignment** give India a **rare chance** to reimagine its economic future.
- The reforms India hesitated to undertake for decades can now be positioned as **inevitable**, not optional.
- India must act decisively to:
  - Improve its **trade policy**.
  - Fix **investment frameworks**.
  - Lead **manufacturing and AI-driven innovation**.
- If seized correctly, this moment can place India on a path to **sustainable, accelerated growth** and **global leadership** in the 21st-century economy.

Source: <https://indianexpress.com/article/opinion/columns/indias-second-1991-moment-9939458/#:~:text=Then%20came%20April%202%2C%20%E2%80%9CLiberation,of%20the%20tariffs%20became%20obvious.>