

TARIFFS, TRADE WARS AND THE EMERGING GEO-ECONOMIC ORDER: STRATEGIC IMPLICATIONS FOR INDIA'S ECONOMIC TRANSFORMATION

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Abstract

The global economic system is undergoing a major transformation characterized by the resurgence of tariffs, trade wars, and geopolitical competition. These developments have reshaped international trade patterns and created a new geo-economic order where economic policies are increasingly used as strategic tools. This research paper examines the implications of rising protectionism for India's economic transformation. Using recent global trade data, the study analyzes the impact of tariffs on global trade flows and explores opportunities for India within the evolving economic landscape. The paper further proposes a strategic policy framework emphasizing manufacturing expansion, digital trade, supply-chain diversification, and economic diplomacy. The findings suggest that India can leverage the current geo-economic transition to strengthen its global trade position and accelerate its journey toward becoming a leading economic power.

Keywords

Geo-Economics, Trade Wars, Tariffs, Global Supply Chains, Economic Strategy, India Trade Policy, Economic Transformation

1. INTRODUCTION

Global trade has historically been shaped by policies that encourage economic integration and market openness. However, the last decade has witnessed a shift toward **protectionist trade policies and tariff-based economic competition**. Governments increasingly use tariffs, sanctions, and export controls as instruments of strategic economic influence. Recent trade conflicts between major economies have intensified this shift. The **World Trade Organization warned that global merchandise trade growth could contract by about 0.2% in 2025 due to escalating tariff disputes and trade policy uncertainty**. At the same time, emerging economies such as India are attempting to navigate this complex global trade environment. India's exports have demonstrated resilience despite global volatility. Government data shows **India's exports during April–October 2025 reached approximately \$491.8 billion**, reflecting continued growth and diversification of export sectors. These developments highlight the importance of understanding the emerging **geo-economic order**, where economic policies are closely linked to geopolitical strategies.

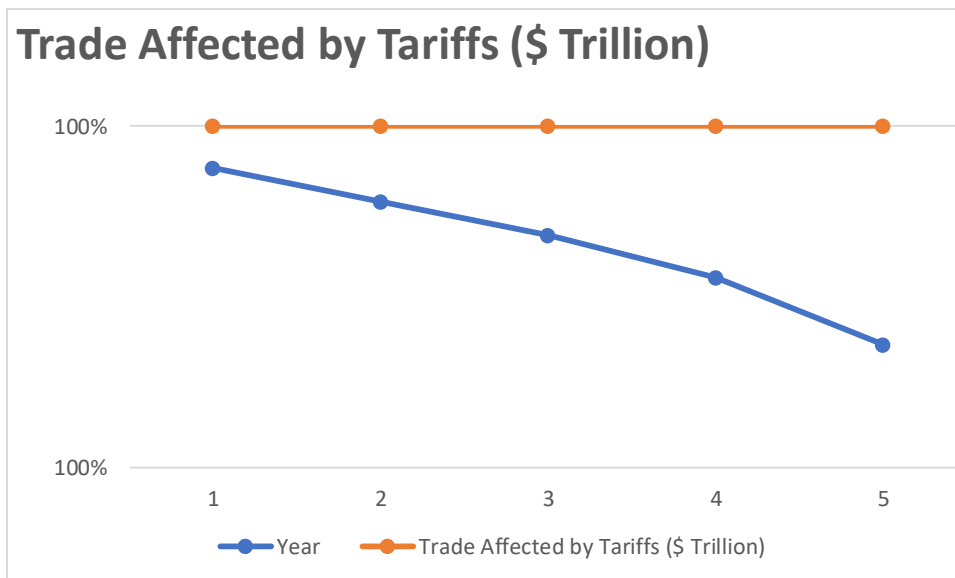
2. LITERATURE REVIEW

The concept of **geo-economics** refers to the strategic use of economic tools to achieve geopolitical objectives. Scholars such as Baldwin (2016) and Rodrik (2018) emphasize that global economic competition increasingly revolves around technological dominance, industrial policy, and strategic trade. Recent research indicates that trade conflicts can significantly affect global employment and production patterns. Studies using multi-regional trade models suggest that escalating tariffs may reduce export volumes and lead to substantial job losses across multiple economies.

Another line of research focuses on the fiscal and strategic implications of tariffs. Economic models analyzing the **Tariff Laffer Curve** suggest that excessively high tariffs may reduce welfare and distort global trade flows. These exploratory studies collectively highlight the complex relationship between tariffs, global economic stability, and national economic strategy.

3. GLOBAL TRENDS IN TARIFFS AND TRADE WARS

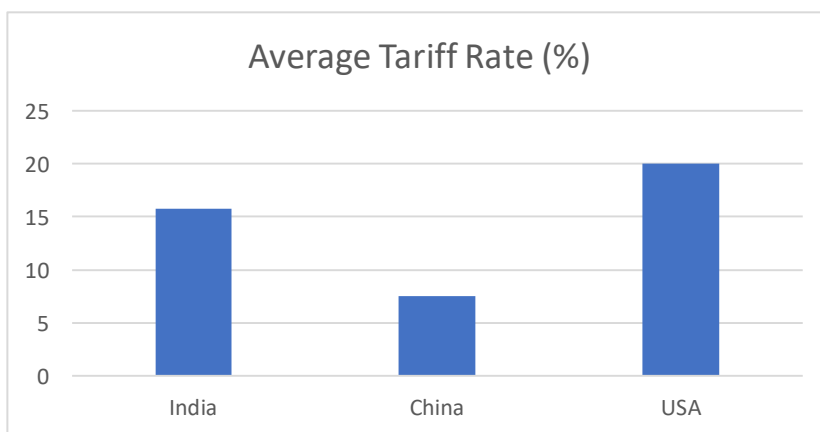
Graph 1: Global Trade Affected by Tariffs



Interpretation:

The sharp rise/fall indicates the growing use of tariffs as strategic policy instruments.

Graph 2: Average Tariff Levels in Major Economies (2025)



India’s average MFN applied tariff rate is approximately **15.8%** according to WTO trade statistics.

4. INDIA’S POSITION IN THE EMERGING GEO-ECONOMIC ORDER

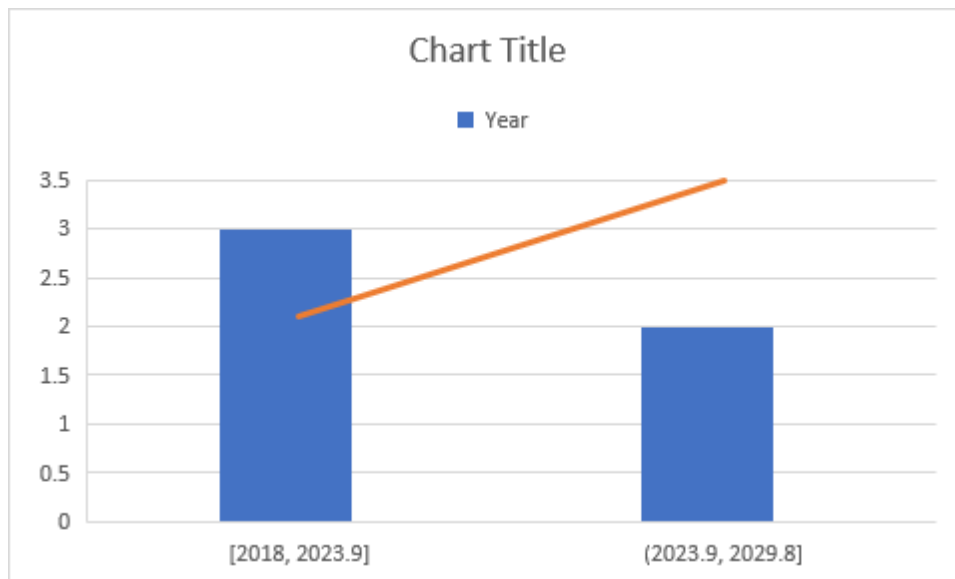
India is one of the fastest-growing major economies and plays an increasingly significant role in global trade. The country’s imports reached approximately **\$690 billion in 2024**, reflecting strong domestic demand and growing industrial activity.

However, India also faces several structural challenges:

- High dependence on imported intermediate goods
- Persistent trade deficits
- Technological gaps in advanced manufacturing sectors

Despite these challenges, India's services sector has emerged as a major global export driver. India recorded **12% growth in services exports during 2025**, outperforming many other economies.

Graph 3: India's Export Growth (2018-2025)



Interpretation:

India's exports have shown resilience despite global trade disruptions.

5. STRATEGIC OPPORTUNITIES FOR INDIA

The evolving geo-economic environment provides several strategic opportunities for India.

1. Supply Chain Diversification

Global companies are increasingly shifting production away from single-country manufacturing hubs.

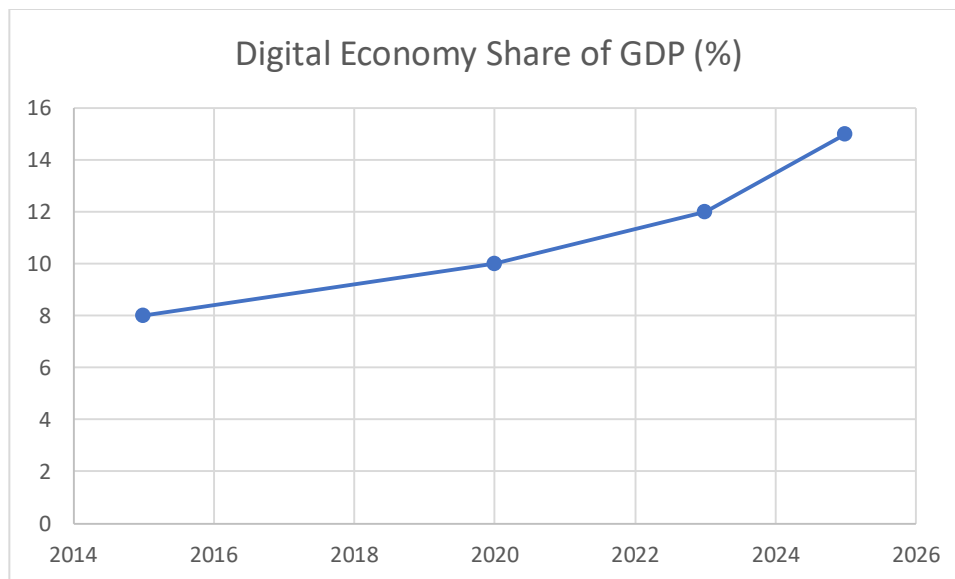
2. Manufacturing Expansion

Programs such as **Make in India and Production Linked Incentive (PLI) schemes** aim to increase manufacturing capacity.

6. DIGITAL ECONOMY GROWTH

India has become one of the largest digital economies globally.

Graph 4: India's Digital Economy Growth



7. STRATEGIC POLICY FRAMEWORK FOR ECONOMIC TRANSFORMATION

For India to effectively navigate the emerging geo-economic order shaped by tariffs, trade conflicts, and technological competition, a well-structured strategic policy framework is essential. The current global environment demands that countries combine economic resilience, technological capability, and strong international partnerships to secure long-term growth. India's transformation into a globally competitive economy therefore requires coordinated policy initiatives across several key pillars.

7.1 Strategic Trade Policy

A carefully designed strategic trade policy is essential for protecting domestic industries while ensuring integration with global markets. In the current era of trade wars and protectionism, tariffs are increasingly used as policy tools to safeguard national economic interests. India must adopt a balanced tariff structure that protects critical sectors such as electronics, pharmaceuticals, and defence manufacturing without discouraging international trade and investment.

Strategic trade policy should also focus on export promotion and diversification of export markets. Expanding export-oriented sectors such as information technology services, pharmaceuticals, textiles, and engineering goods can strengthen India's position in global trade. In addition, the government can implement policies that reduce logistical costs, improve port infrastructure, and streamline customs procedures. Such measures would enhance India's export competitiveness and support the goal of increasing India's share in global trade.

Furthermore, India should develop sector-specific trade strategies that encourage value addition within domestic industries rather than relying heavily on imported intermediate goods. By focusing on higher value manufacturing and services exports, India can strengthen its trade balance and improve economic resilience.

7.2 Industrial Development

Industrial development is a cornerstone of economic transformation in the modern global economy. To compete effectively in a rapidly evolving geo-economic landscape, India must significantly expand its advanced manufacturing capabilities. Strategic sectors such as semiconductors, electronics manufacturing, renewable energy technologies, aerospace, and biotechnology are particularly important for future economic growth.

Government initiatives such as Production Linked Incentive (PLI) schemes, Make in India, and industrial corridor development have already begun to encourage domestic manufacturing and attract foreign investment. These programs aim to increase manufacturing's contribution to GDP and create employment opportunities across multiple sectors.

Developing a strong manufacturing base also requires investments in infrastructure, logistics networks, industrial clusters, and skilled workforce development. Efficient transportation systems, modern industrial parks, and improved supply chain connectivity can significantly reduce production costs and improve global competitiveness.

In addition, India should encourage public-private partnerships and foreign direct investment (FDI) in high-technology manufacturing sectors. International collaboration in advanced industries can accelerate technology transfer, enhance productivity, and integrate Indian firms into global value chains.

7.3 Technological Innovation

Technological innovation has become a critical determinant of economic competitiveness in the 21st century. Countries that successfully integrate digital technologies, artificial intelligence, automation, and advanced research capabilities are better positioned to lead the global economy.

India must significantly increase its investments in research and development (R&D), digital infrastructure, and emerging technologies. Strengthening institutions involved in scientific research and innovation can help develop indigenous technologies and reduce dependence on foreign technology imports.

Artificial intelligence, data analytics, and digital platforms can also transform traditional sectors such as agriculture, manufacturing, healthcare, and education. By promoting innovation ecosystems that connect universities, research institutions, startups, and industries, India can create a dynamic environment for technological advancement.

Furthermore, initiatives such as Digital India, Startup India, and National AI Strategy provide an institutional framework for fostering innovation. Encouraging entrepreneurship and supporting technology startups can accelerate the commercialization of new technologies and create high-value employment opportunities.

7.4 Economic Diplomacy

In an increasingly interconnected and competitive global economy, economic diplomacy plays a vital role in shaping international trade relations and strategic partnerships. India must actively engage with global institutions and partner countries to expand trade opportunities and strengthen its geopolitical influence.

Expanding free trade agreements (FTAs) and regional trade partnerships can provide Indian industries with greater access to international markets. Strategic agreements with key economic partners in Europe, Southeast Asia, and the Indo-Pacific region can enhance trade flows and promote investment cooperation.

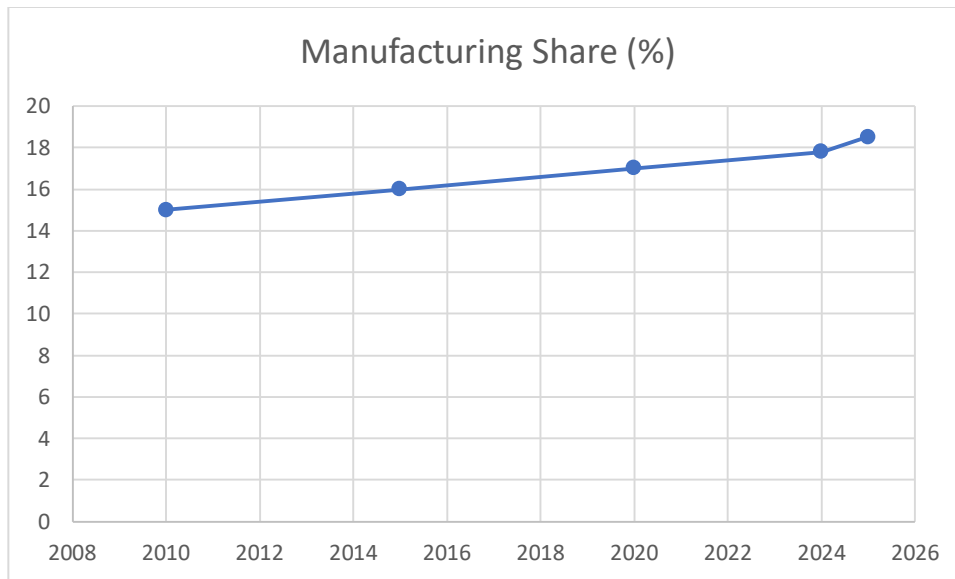
Economic diplomacy should also focus on strengthening India's participation in global economic forums and multilateral institutions. Engagement with organizations such as the WTO, IMF, and regional development banks can help shape global economic rules and protect national interests.

Moreover, India can leverage its geopolitical position to develop strategic economic alliances in areas such as energy security, technology collaboration, and infrastructure development. Such partnerships can support long-term economic growth and enhance India's role in the emerging global economic order.

7.5 Integrative Perspective

Together, these four pillars—strategic trade policy, industrial development, technological innovation, and economic diplomacy—form a comprehensive framework for India's economic transformation. When implemented in a coordinated manner, these policies can strengthen economic resilience, enhance global competitiveness, and support sustainable growth. In the context of rising tariffs and trade conflicts, such a strategy will enable India to effectively adapt to the changing geo-economic environment and move closer to the national vision of becoming a developed economy by 2047.

Graph 5: Manufacturing Share in India's GDP



Geo-Economic Conceptual Framework



CONCLUDING REMARK

The resurgence of tariffs and trade wars has reshaped the global economic order. The shift from globalization toward geo-economic competition has increased uncertainty in international trade but also created opportunities for emerging economies. India's economic transformation will depend on its ability to adapt to this evolving environment. Strengthening manufacturing capabilities, expanding digital trade, and diversifying supply chains will be essential for enhancing economic resilience. If effectively implemented, these strategies can enable India to transform current global economic challenges into opportunities for long-term growth and technological leadership. Such a transformation would significantly contribute to the national vision of building a globally competitive and developed economy by 2047.

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Here Analysis & suggestions are not individual view, It is exploratory effort.