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EDITORIAL ANALYSIS

# India and the Pitfalls of Goeconomics: Borrowing the Wrong Playbook

 BUSINESS STANDARD

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# India and the Pitfalls of Geoeconomics: Borrowing the Wrong Playbook

 **Business Standard**

7 July 2026

GS3

GS2

 Source: [ujyari.com](http://ujyari.com) — researched, fact-checked & UPSC-mapped


## INTERVIEW ANGLE

*"Great powers use tariffs, export controls and investment screening as weapons. Should a still-developing India with limited market power copy that geoeconomic playbook, or does strategic autonomy mean a different trade strategy altogether?"*

 Source: [Original editorial](#)
[Business Standard](#)
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## THE LIFT LINE

*"When the great powers turn trade into a weapon, the temptation is to arm oneself the same way. But a developing economy that copies the tactics of the powerful, without their power, may only wound itself."*

The world has entered an age of **geoeconomics**, where **tariffs, export controls, investment screening and industrial subsidies** are wielded as instruments of strategic competition. The United States and China are rewriting the rules. The pitfall for India is to assume that what works for the strong will work for the still-developing. This editorial argues that India must weigh its **own interests** and defend **strategic autonomy** (<https://ujyari.com/terms/strategic-autonomy/>) **in trade**, not imitate a playbook built for great-power leverage (<https://ujyari.com/vocab/leverage/>) it does not yet hold.

## WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

GS Paper 3: Effects of liberalisation on the economy; changes in industrial policy; India and international trade; investment models. It also links to GS Paper 2 through India's foreign policy, strategic autonomy and the effect of developed-country policies on India's interests.

This theme lets you connect trade policy, industrial strategy, China dependence and foreign policy into one integrated argument, ideal for both a trade, economics and an IR-flavoured Mains answer.

## BACKGROUND AND CONTEXT

**Geoeconomics**, a term popularised by strategist **Edward Luttwak** in a 1990 essay and developed by Robert Blackwill and Jennifer Harris in *War by Other Means (2016)*, is the use of **economic instruments to promote national interests and produce geopolitical results**. Its tools are tariffs, sanctions, export controls, investment screening and industrial policy.

The great powers have leaned in:

- **United States:** reciprocal tariffs (announced April 2025), the **CHIPS and Science Act (2022)**, the **Inflation Reduction Act (2022)**, semiconductor export controls under a **small yard, high fence** doctrine, and **CFIUS** investment screening. Following a February 2026 interim deal, the US reciprocal tariff on India stands at about 18 per cent.
- **China:** successive **rare-earth and critical-mineral export controls**, the broadest issued in 2025, plus industrial targeting under **Made in China 2025**.

Both act from **structural market power**. China controls most rare-earth processing; the US controls advanced chips and the reserve currency.

## THE CORE ARGUMENT / ISSUE

The central claim is that India, a **developing economy without equivalent market power**, risks self-harm if it uncritically borrows these instruments rather than tailoring policy to its own interests.

### India Has Already Started Mirroring

INSTRUMENT	INDIA'S VERSION	PURPOSE
Investment screening	Press Note 3 (2020), eased March 2026	Screen land-border (China) FDI
Anti-dumping	Second-highest user globally	Shield domestic industry
Quality control orders	Layered with tariffs and duties	Non-tariff protection
Industrial policy	PLI, about Rs 1.97 lakh crore, 14 sectors	Build domestic manufacturing

**Press Note 3 (2020)** required prior government approval for all FDI from land-border countries, aimed at Chinese takeovers. But in **March 2026 the government eased it** for small, non-controlling stakes, an admission that screening had starved a capital-hungry economy of needed investment.

## Why Imitation Is Riskier for India

India lacks a genuine **chokehold** (<https://ujiyari.com/vocab/chokehold/>) **over global inputs**. Meanwhile it runs a **record trade deficit of about 112 billion dollars with China (FY2025-26)** and depends on Chinese inputs for electronics, pharma ingredients and solar. In a tit-for-tat, **input cutoffs would hurt India more** than India could hurt others. India also needs foreign capital and technology to grow, so heavy screening and high tariffs raise consumer and producer costs and deter investment.

## Strategic Autonomy in Economics

India's foreign-policy doctrine of **strategic autonomy and multi-alignment** (<https://ujiyari.com/terms/multi-alignment/>), engaging the US, managing China, cultivating Europe, reassuring Russia, must extend to trade. Being **non-West without being anti-West** means choosing instruments by national interest, not by copying either Washington or Beijing.

## The Honest Counter

In a weaponised world economy India cannot be defenceless. Industrial policy, targeted screening and anti-dumping are legitimate development and security tools, and some geoeconomic capacity is insurance against **coercion** (<https://ujiyari.com/vocab/coercion/>). The argument is not against all tools, but against **reflexive imitation** of great-power strategy.

### HOW TO THINK ABOUT THIS (ANALYTICAL FRAME)

*A geoeconomic tool is only as good as the market power behind it. China's export controls bite because it controls processing; US controls bite because it controls chips and the dollar. Before India reaches for a tariff or a screen, ask: do we hold the **chokepoint** (<https://ujiyari.com/vocab/chokepoint/>), or does the other side? Where India is the dependent party, aggressive instruments invite retaliation it cannot absorb. Use tools where India has leverage; build competitiveness where it does not.*

### THE DIAGRAM IN WORDS

Geoeconomics = economic tools for geopolitical ends (Luttwak 1990) -> US: reciprocal tariffs + CHIPS Act + IRA + export controls + CFIUS (small yard, high fence) -> China: rare-earth export controls + Made in China 2025 -> both act from structural market power -> India copies: Press Note 3 screening + anti-dumping + QCOs + PLI (~Rs 1.97 lakh crore) -> but India lacks chokehold leverage + runs ~112 billion dollar deficit with China + depends on Chinese inputs + needs foreign capital -> imitation invites retaliation India cannot absorb + raises costs -> pitfall = copying the powerful without their power -> fix: selective defensive tools + domestic competitiveness + FTA diversification + strategic autonomy and multi-alignment

## WAY FORWARD

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- 1 **Use tools selectively and defensively.** Reserve screening, tariffs and controls for genuine security cases where India holds leverage, not as a general template.
- 2 **Prioritise competitiveness over protection.** Address logistics, energy and regulatory costs so Indian industry wins on strength, not walls, and avoid layered QCO-plus-tariff protection that raises costs.
- 3 **Diversify partners and supply chains.** Deepen FTAs (India-UK CETA, India-EFTA TEPA, the US interim deal) and the China-plus-one shift to reduce single-source dependence.
- 4 **Protect strategic autonomy.** Judge every geoeconomic instrument against India's developmental interest, keeping multi-alignment (<https://ujjiyari.com/vocab/multi-alignment/>) and openness to capital central.

## PYQ LINKAGE AND PRACTICE

- **UPSC GS3 (2021):** “Investment in infrastructure is essential for more rapid and inclusive economic growth.’ Discuss.”
- **UPSC GS2 (2020):** “Indian diaspora (<https://ujjiyari.com/vocab/diaspora/>) has a decisive role to play...” (economic diplomacy framing)
- **UPSC GS3 (2018):** “Comment on the important changes introduced in respect of the Long-term Capital Gains Tax...” (policy-instrument reasoning)

**Practice Mains question (250 words, 15 marks):** “Geoeconomics has become the grammar of great-power competition. Critically examine whether India, as a developing economy with limited market power, should copy the tariff, export-control and investment-screening instruments of the US and China, or pursue strategic autonomy in trade policy.”

*Sources: Business Standard* (<https://www.business-standard.com/opinion>), *Ministry of Commerce and Industry* (<https://commerce.gov.in>), *PIB* (<https://pib.gov.in>)

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**KEY ARGUMENTS AT A GLANCE**

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**Geoeconomics, the use of economic tools such as tariffs, export controls, investment screening and industrial policy to pursue geopolitical goals, is the currency of great-power competition, but India, a still-developing economy with limited market power and heavy dependence on foreign capital, technology and inputs, risks harming itself if it uncritically borrows the US and Chinese playbooks rather than weighing its own interests and preserving strategic autonomy in trade.**


**SUPPORTING**

- The US wields reciprocal tariffs, the CHIPS Act, the Inflation Reduction Act, export controls and CFIUS screening, while China wields rare-earth export controls and industrial targeting, but both act from positions of structural market power that India does not yet possess.
- India has already adopted mirror instruments, Press Note 3 investment screening, high anti-dumping activism, quality control orders and production-linked incentives, yet its March 2026 easing of Press Note 3 shows the costs of screening for a capital-hungry economy.
- With a record trade deficit of about 112 billion dollars with China and heavy dependence on Chinese inputs, retaliation through input cutoffs would hit India harder than it could hit others, so imitation is riskier for a developing power.


**COUNTER**

Supporters argue that in a weaponised global economy India cannot be defenceless, that industrial policy and screening are legitimate development and security tools, and that some geoeconomic capacity is necessary insurance against coercion.


**WAY FORWARD**

Use geoeconomic tools selectively and defensively rather than as a reflexive copy of great-power strategy, prioritise domestic competitiveness, diversify supply chains and trade partners through FTAs, protect strategic autonomy and multi-alignment, and weigh every instrument against India's own developmental interest.


**MAINS ANSWER FRAMEWORK**

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**QUESTION**

*"As geoeconomics becomes the language of great-power competition, a developing economy like India must weigh its own interests rather than imitate the instruments of the US and China." Critically examine. (250 words)*

**INTRODUCTION**

Geoeconomics, the deployment of economic instruments for geopolitical ends, has become the grammar of great-power rivalry. Tariffs, export controls, investment screening and industrial subsidies are now weapons.

The question for India is whether a developing economy should copy this playbook or write its own.

**BODY**

The term, popularised by Edward Luttwak in 1990 and developed by Blackwill and Harris, describes economic tools used for strategic ends. The United States now deploys reciprocal tariffs, the CHIPS and Science Act, the Inflation Reduction Act, semiconductor export controls under a small yard, high fence approach, and CFIUS investment screening.

China deploys rare-earth and critical-mineral export controls, the most sweeping issued in 2025, and industrial targeting under Made in China 2025. Both act from structural market power: China controls rare-earth processing; the US controls advanced chips and the dollar system.

India lacks equivalent chokehold leverage. Yet India has adopted mirror tools, Press Note 3 screening of land-border FDI from 2020, second-highest anti-dumping activism globally, layered quality control orders, and production-linked incentives worth about Rs 1.97 lakh crore across 14 sectors.

The revealing move was the March 2026 easing of Press Note 3 for small non-controlling stakes, conceding that screening starved a capital-hungry economy of investment. India runs a record 112 billion dollar trade deficit with China and depends on Chinese inputs, so tit-for-tat coercion would wound India more.

Copying the playbook of the powerful, without their power, is the pitfall.

**CONCLUSION**

India should treat geoeconomic tools as selective, defensive instruments, not a template to imitate. Strategic autonomy in trade means weighing every tariff, control and screen against India's own developmental interest, not borrowing the reflexes of the US and China.


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