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EDITORIAL ANALYSIS

Reforms for Higher Growth: Why India Has Not Used Trade as an Engine

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Reforms for Higher Growth: Why India Has Not Used Trade as an Engine

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INTERVIEW ANGLE

"China and South Korea grew rich by exporting to the world before their domestic markets were large. India is trying to grow rich with a domestic market that is already large. Is trade-led growth still available to a late developer, or did the window close with the first cohort that used it?"

Source: Original editorial ↗ Business Standard

Every fact web-verified against primary sources

THE LIFT LINE

A country can protect its market or it can capture the world's, and the last decade suggests India has mostly chosen the first while wanting the growth rate of the second.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

Trade policy sits at the intersection of GS Paper 3 (growth, planning, resource mobilisation, effects of liberalisation) and GS Paper 2 (bilateral and regional agreements affecting India's interests). This editorial gives you a ready comparative frame, India against China and South Korea, that examiners reuse across essay, Mains and interview because it forces a judgement rather than a recitation of scheme names.

The transferable skill is distinguishing a **signed agreement** from a **used agreement**, and a **tariff cut** from a **credible tariff path**. Both distinctions appear again wherever policy announcements are treated as accomplished outcomes.

GS Paper 3: Indian economy and issues relating to planning, mobilisation of resources, growth, development and employment; effects of liberalisation on the economy; changes in industrial policy.

GS Paper 2: Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.

CONCEPT	MEANING	WHY IT IS TESTABLE
Exports-to-GDP ratio	Value of goods and services exported, as a share of national output	India's 2013 peak of 25.4 per cent versus roughly 22 per cent now is the single fact that anchors this entire debate
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a 12-economy trade bloc	India is not a member; frequently confused with RCEP, which India exited in 2019
Preferential utilisation rate	Share of eligible exports that actually claim an FTA's lower tariff, rather than paying the standard rate	Distinguishes a signed agreement from a used one
Bilateral Investment Treaty (BIT)	A treaty protecting cross-border investment and providing dispute resolution	India's 2016 Model BIT was seen as investor-unfriendly; a revised template is now being negotiated
Tariff slab rationalisation	Reducing the number of distinct customs duty rates to a smaller, simpler set	India has cut slabs to eight, including a zero-duty slab, as a step toward single-digit average duty
Terms of engagement in RCEP vs CPTPP	RCEP is a looser Asia-Pacific bloc India exited in 2019; CPTPP has deeper, binding commitments on labour, SOEs and digital trade	Tests whether a student can distinguish depth of commitment across similarly named blocs

BACKGROUND AND CONTEXT

The trigger is a Business Standard editorial published on **9 August 2026**, part of a series examining unfinished reforms three-and-a-half decades after India's 1991 liberalisation, which argues that trade has been the most under-exploited lever for growth.

INDICATOR	FIGURE	NOTE
India’s peak exports-to-GDP ratio	**25.4 per cent (2013)**	Highest recorded for India
India’s exports-to-GDP ratio, 2025-26	**approximately 22 per cent**	Still below the 2013 peak more than a decade later
World average exports-to-GDP ratio	**approximately 43.5 per cent**	India runs at roughly half the global norm
China’s share of world merchandise exports	3.86 per cent (2000) to **14.7 per cent (2020)**	The scale of gain associated with sustained export-led growth
India’s share of world merchandise exports	0.66 per cent (2000) to **1.57 per cent (2020)**	India’s gain over the same two decades, far smaller
India’s simple average customs duty	**approximately 10.66 per cent**, down from 11.65 per cent	Government target: single digits on most items by the FY28 Budget
India-UK CETA	In force from **15 July 2026**	Signed 24 July 2025; roughly 99 per cent of Indian goods enter the UK duty-free or at reduced tariffs
India-EU FTA	Signed **27 January 2026**	India gets preferential access to 97 per cent of EU tariff lines; India opens 92.1 per cent of its own tariff lines; investment protection chapter remains unfinished
CPTPP	12 members, about **13.5 per cent of world output**, 500 million consumers	UK joined December 2024; India is not a member

Two agreements the government cites as evidence of trade momentum, the UK CETA and the EU FTA, both became operative or were signed within the last thirteen months, which is precisely why the editorial’s question, whether India can now capitalise on them, is timely rather than retrospective.

THE ANALYSIS

1. The 2013 peak is the number the whole argument rests on. An exports-to-GDP ratio of 25.4 per cent in 2013, followed by more than a decade below it, means India has not merely slowed its trade growth, it has gone backward relative to its own best year even as GDP itself has grown substantially. A recovering ratio of about 22 per cent in 2025-26 confirms improvement but not restoration.

2. The China and South Korea comparison is a comparison of strategy, not luck. Both economies ran export-oriented industrial policy for sustained periods: competitive exchange rates, aggressive market access negotiation, and domestic manufacturing capacity built explicitly for export rather than for import substitution. China's rise from under 4 per cent to nearly 15 per cent of world exports between 2000 and 2020 is the empirical signature of that strategy at scale. India's corresponding rise, from 0.66 to 1.57 per cent, shows the same direction but at roughly a tenth the magnitude.

3. Tariffs are only the most visible of three unfinished reforms. A customs duty average of roughly 10.66 per cent, with single digits promised no earlier than the FY28 Budget, keeps India's tariff wall meaningfully higher than the near-zero regimes East Asian exporters ran during their fastest growth decades. But tariffs are the easy half of the argument.

4. Signed agreements are not the same as used agreements. The UK CETA and the EU FTA are both recent, consequential and underused in the sense that matters for growth: an Indian exporter must know the preference exists, obtain origin certification, and satisfy the partner's standards before the tariff concession translates into an actual shipment. Absent that facilitation infrastructure, agreements deliver headlines before they deliver exports.

5. CPTPP membership is a live, contestable choice, not a settled recommendation. The bloc offers access to roughly 500 million consumers and a seat in setting digital trade, labour and state-owned enterprise rules across the Indo-Pacific. But those same rules are what caused India to exit RCEP negotiations in 2019, so the editorial's call to "consider" CPTPP entry is a call to reopen, not close, that debate with updated analysis.

6. Investment treaties are the quiet fourth lever. Export capacity typically arrives bundled with foreign direct investment in manufacturing and logistics. A bilateral investment treaty template seen as unfriendly to investors, as India's 2016 Model BIT was widely judged to be, discourages exactly the capital that would expand the export base the other three reforms are meant to unlock.

DATA AND INSTITUTIONS VAULT

PRELIMS-GRADE FACTS:

India's exports of goods and services peaked at 25.4 per cent of GDP in 2013; the ratio stood at roughly 22 per cent in 2025-26

World average exports-to-GDP ratio: approximately 43.5 per cent

China's share of world merchandise exports: 3.86 per cent (2000) to 14.7 per cent (2020); India's: 0.66 per cent (2000) to 1.57 per cent (2020)

India's simple average customs duty: approximately 10.66 per cent, down from 11.65 per cent; tariff slabs cut to eight, including a zero-duty slab

Finance Minister Nirmala Sitharaman has indicated single-digit Customs duty on most items is targeted for the FY28 Budget (2027-28)

India-UK CETA: signed 24 July 2025, in force from 15 July 2026; about 99 per cent of Indian goods enter the UK duty-free or at reduced tariffs, and 90 per cent of UK goods enter India duty-free or at reduced tariffs

India-EU FTA: signed 27 January 2026 in New Delhi after nearly two decades of negotiation; gives India preferential access to 97 per cent of EU tariff lines, and India opens 92.1 per cent of its own tariff lines; the investment protection framework remains a separate, unfinished pillar

CPTPP: Comprehensive and Progressive Agreement for Trans-Pacific Partnership; 12 member economies, about 13.5 per cent of world output, roughly $13.5 trillion combined output, 500 million consumers; the United Kingdom joined in December 2024; India is not a member

India withdrew from RCEP (Regional Comprehensive Economic Partnership) negotiations in November 2019

India's Model Bilateral Investment Treaty (BIT) was finalised in 2016; the government is now revising the template to be more investor-accommodating

WATCH THE TRAP: "INDIA SIGNED THE EU FTA" AND "INDIA BENEFITS FROM THE EU FTA" ARE DIFFERENT CLAIMS, THE FIRST IS A FACT, THE SECOND DEPENDS ON UTILISATION, CERTIFICATION AND FACILITATION THAT TAKE YEARS TO BUILD. DO NOT CONFLATE CPTPP WITH RCEP: INDIA IS NOT A MEMBER OF EITHER, BUT EXITED RCEP BY CHOICE IN 2019 WHILE CPTPP MEMBERSHIP REMAINS AN OPEN, UNRESOLVED QUESTION THE EDITORIAL EXPLICITLY RAISES.

THE DEBATE

Argument FOR aggressive, unilateral tariff liberalisation and CPTPP entry. India's tariff average is high relative to the East Asian economies that grew fastest on trade, and every year of delay is a year of forgone integration into global value chains that are relocating away from China. Two major agreements, with the UK and the EU, are now operative or signed; failing to build on that momentum wastes years of negotiating capital. CPTPP membership would signal credibility to investors weighing India against Vietnam or Indonesia as a manufacturing base.

Argument AGAINST moving too fast. Tariff protection since 2018 has served a specific industrial-policy purpose, shielding sectors while domestic manufacturing capacity was built, and unwinding it before that capacity is competitive risks a wave of import surges that undermines the very manufacturing base trade reform is meant to grow. CPTPP's labour, digital-trade and state-owned-enterprise chapters go well beyond tariffs, and these were exactly the chapters that led India to walk away from RCEP; joining a comparably deep agreement without resolving those objections risks repeating an avoidable dispute.

Balanced verdict. The disagreement is less about direction than about sequencing and safeguards. A credible, published tariff glide path lets industry plan without demanding either an abrupt cut or indefinite protection. CPTPP entry deserves a fresh, chapter-by-chapter cost-benefit study rather than a blanket yes or no drawn from the RCEP experience, since the negotiating context and India's manufacturing base have both changed since 2019.

HOW TO THINK ABOUT THIS

The transferable pattern: **a growth strategy has to be judged on ratios that compound, not on announcements that make headlines.**

An exports-to-GDP ratio, unlike a single quarter's export figure, captures whether trade is actually pulling weight in the economy relative to the economy's own size. A ratio that has not returned to its 2013 peak more than a decade later is a stronger indictment than any single year's export number, because it strips out the effect of overall GDP growth and asks whether trade grew proportionately with it.

Run the test in three steps.

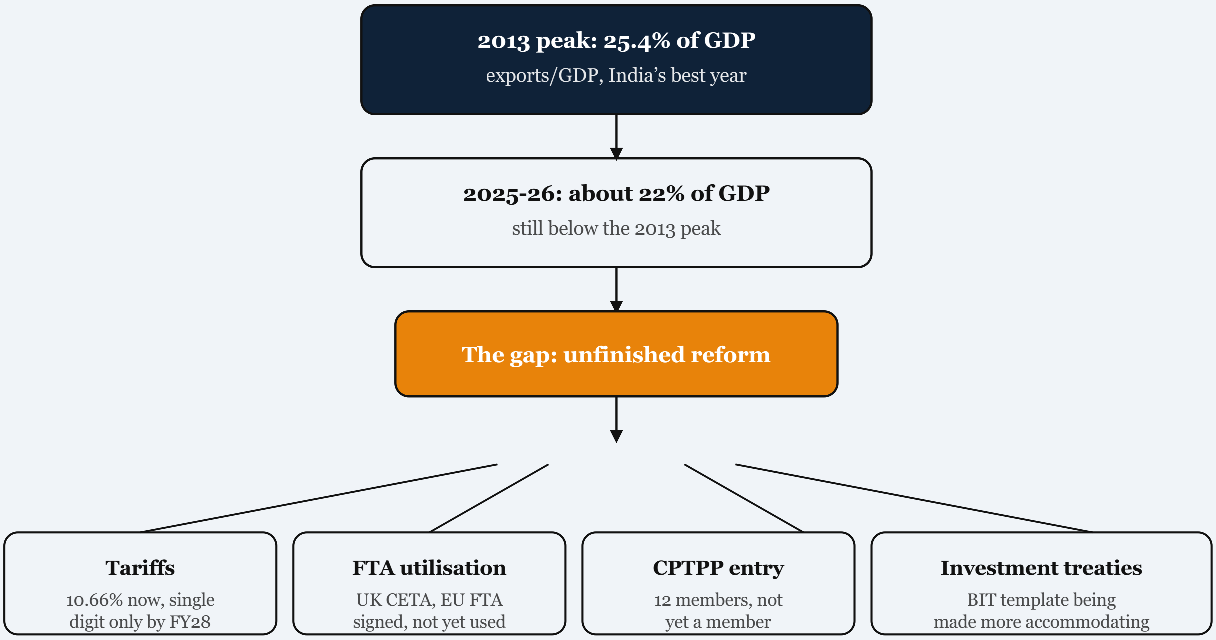
Is the reform announced, or is it delivered? A tariff glide path promised for the FY28 Budget is not the same as a tariff cut already in force.

Is the agreement signed, or is it used? Preferential access on paper requires certification infrastructure and exporter awareness before it becomes an export.

Is the comparison with the right peers? China and South Korea are the right comparators because they ran the export-led strategy India is now debating whether to adopt, not because their circumstances were identical to India's.

The same discipline applies to reading any structural reform, labour codes, disinvestment targets, or infrastructure pipelines presented as complete once legislated or announced, when the number that matters is the one measured after implementation.

DIAGRAM-IN-WORDS



Four levers, tariffs, FTA utilisation, CPTPP entry, and investment treaties, must move together to close the gap between India's 2013 export peak and its 2025-26 level; moving only one leaves the ratio short of its own best year.

TAKEAWAY BOX

A trade agreement is an entitlement, not an export; the growth only arrives once tariffs, certification and investment all move together.

India's exports-to-GDP ratio peaked at **25.4 per cent in 2013**, *roughly* **22 per cent in 2025-26**; *world average about* **43.5 per cent**; *China's world export share* **3.86 per cent to 14.7 per cent (2000-2020)**, *India's* **0.66 per cent to 1.57 per cent**; *India's average customs duty* **about 10.66 per cent**, *single-digit target* **FY28 Budget**; **India-UK CETA** *in force* **15 July 2026**; **India-EU FTA** *signed* **27 January 2026**, *97 per cent EU tariff lines opened to India;* **CPTPP** *has* **12 members**, *about* **13.5 per cent of world output**, *UK joined* **December 2024**; *India exited* **RCEP** *in* **November 2019**.

trade liberalisation creates aggregate gains but concentrated losses, workers and firms in protected sectors bear adjustment costs even as the wider economy benefits. What obligations does the state owe to those who lose from a reform undertaken in the national interest?

UPSC Mains has repeatedly tested the effects of liberalisation on the economy and India's regional trade groupings, including questions on RCEP and India's FTA strategy. This editorial supplies the export-to-GDP data point and the China-South Korea comparison that most answers on this theme omit.

"Signing trade agreements is necessary but not sufficient for trade-led growth." Discuss with reference to India's exports-to-GDP trajectory since 2013 and its recent trade agreements.

Sources: Business Standard, Ministry of Commerce and Industry, PIB

Source: Reforms for Higher Growth: Why India Has Not Used Trade as an Engine — Ujiyari.com | Free UPSC & State PCS Editorial Analysis

KEY ARGUMENTS AT A GLANCE

India has not used international trade as the sustained growth engine that China and South Korea did during their high-growth decades, evidenced by an exports-to-GDP ratio that peaked at 25.4 per cent in 2013 and has recovered only to about 22 per cent by 2025-26, and closing that gap requires a coordinated push on tariffs, trade agreement utilisation, CPTPP membership and investment treaties rather than any single reform.

✓ SUPPORTING

- The historical comparison is stark. China's share of world merchandise exports rose from 3.86 per cent to 14.7 per cent between 2000 and 2020 while India's rose from 0.66 per cent to only 1.57 per cent over the same period, a gap that reflects decades of sustained export-oriented manufacturing policy that India did not replicate at scale.
- India's simple average customs duty has come down from 11.65 per cent to about 10.66 per cent, and the government has cut tariff slabs to eight including a zero-duty slab, but the Finance Minister herself has only committed to single-digit tariffs on most items by the FY28 Budget, meaning India will still be negotiating down from a comparatively high average tariff wall for at least two more years.
- India has signed major agreements recently, the India-UK Comprehensive Economic and Trade Agreement in force from 15 July 2026 and the India-EU Free Trade Agreement signed on 27 January 2026 giving India preferential access to 97 per cent of EU tariff lines, but signing is not the same as capitalising: an agreement's growth dividend depends on exporters actually using the preferential rates, which requires trade facilitation infrastructure India has been slow to build.
- India remains outside the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a bloc of twelve economies representing about 13.5 per cent of world output and 500 million consumers that the UK joined in December 2024, and staying outside forgoes both tariff access and a seat in the rule-setting conversations that shape regional value chains.

⚠ COUNTER

The tariff-cutting prescription is not costless. India's post-2018 tariff increases were partly a deliberate industrial policy response, aimed at building domestic manufacturing capacity and correcting a current account vulnerable to import surges, and unilateral liberalisation without reciprocal market access risks repeating the pattern in which Indian exporters gave up

protection while trading partners retained non-tariff barriers.
A large, protected domestic market is also itself a bargaining chip in trade negotiations; giving it up cheaply through unconditional tariff cuts reduces India's future leverage. Joining CPTPP would additionally require accepting rules on state-owned enterprises, labour standards, digital trade and intellectual property that go well beyond tariff schedules, and India walked away from RCEP in 2019 partly because it judged those terms as adverse to its interests.

→ WAY FORWARD

Sequence the tariff reduction credibly, publishing a multi-year glide path to single-digit average duty so investors can plan rather than reading it off Budget-day announcements; build the trade facilitation and certification infrastructure that lets small exporters actually claim the preferential rates already negotiated under the UK and EU agreements; commission a formal cost-benefit assessment of CPTPP accession covering the specific chapters India resisted in RCEP; and use the ongoing revision of the bilateral investment treaty template to make dispute-resolution and dispute-timeline provisions predictable enough that they stop deterring the foreign direct investment that typically accompanies export-oriented supply chains.

MAINS ANSWER FRAMEWORK

QUESTION

India's exports as a share of GDP peaked in 2013 and have not recovered to that level since. Critically examine the structural and policy reasons behind this stagnation and evaluate the reform agenda required for trade to become a sustained driver of growth. (250 words)

INTRODUCTION

A recurring theme in India's growth debate is why trade, the engine that powered the rapid ascent of Japan, South Korea and China, has never played a comparable role for India. The data marks 2013 as the high point: India's exports of goods and services reached 25.4 per cent of GDP that year and, after falling as low as roughly 19 per cent, have recovered only to about 22 per cent by 2025-26, still short of the peak more than a decade later.

BODY

Three structural gaps explain the shortfall. First, tariffs: India's simple average customs duty, at roughly 10.66 per cent, remains well above the near-zero rates that characterised the export-led growth phases of East Asian economies, and the government's own timeline places single-digit duty on most items no earlier than the FY28 Budget.

Second, agreement utilisation: India has recently concluded two consequential agreements, the India-UK CETA in force from July 2026 and the India-EU FTA signed in January 2026 opening 97 per cent of EU tariff lines to Indian goods, but a signed agreement only creates an entitlement; without certification infrastructure and awareness among small exporters, the preferential access goes unclaimed, as India's experience with existing FTAs has repeatedly shown. Third, architecture: India sits outside CPTPP, a twelve-member bloc of roughly 500 million consumers and 13.5 per cent of world output, forgoing both tariff access and influence over the rules governing regional value chains that increasingly route around India. The comparison with China is instructive: China's share of world exports rose from under four per cent to nearly fifteen per cent between 2000 and 2020, a scale of gain India's 0.66-to-1.57-per-cent rise does not approach. None of this is costless to fix.

Tariff protection has served an industrial-policy purpose since 2018, and CPTPP membership carries obligations on state-owned enterprises, labour and digital trade that informed India's 2019 exit from RCEP.

CONCLUSION

The reform agenda is therefore not a single measure but a sequence: a credible glide path for tariffs, facilitation infrastructure that converts signed agreements into claimed preferences, a rigorous reassessment of CPTPP's costs against its market access, and an investment treaty template stable enough to attract the capital that export capacity requires. Achieving developed-economy ambitions by 2047 without a larger trade share of GDP would be a break from every precedent among nations that made that transition, which is precisely why the comparison with China and South Korea is the right one to keep making.

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