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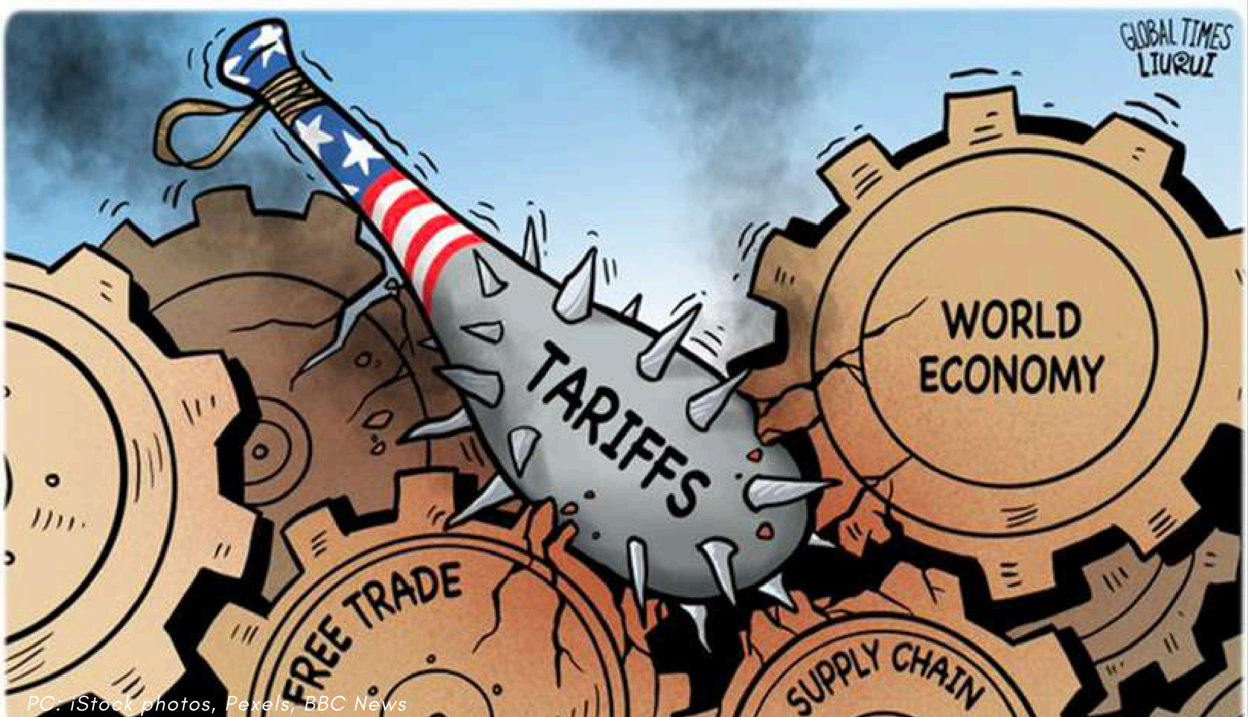

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ARTHNITI

School of Economics and Commerce

Year 2
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ARTHNITI
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Foreword...

Dear Readers,

It is with great pleasure and anticipation that we present the third edition of ArthNiti, our school's very own newsletter that transcends borders to explore the intersections of sustainability, public policy, economics, and commerce. The name ArthNiti is a fusion of two words: 'Arth, representing economy & commerce, and 'Niti,' derived from public policy. This unique combination reflects our commitment to exploring and understanding the intersections between these crucial areas. The ArthNiti newsletter aims to provide a platform for insightful articles, analyses, and discussions on recent issues related to sustainability, public policy, economics, and commerce. We believe that staying informed about these topics is not only essential for your academic growth but also for shaping informed and responsible citizens of the future.

Through ArthNiti, we hope to inspire a sense of curiosity and awareness, encouraging you to engage with these vital subjects and consider their real-world implications. Whether you are passionate about environmental sustainability, interested in the intricacies of public policy, or fascinated by the dynamics of economics and commerce, ArthNiti seeks to cater to your diverse interests.

We invite you to actively participate in the ArthNiti community by contributing your thoughts, insights, and perspectives. Your involvement will play a crucial role in making ArthNiti a vibrant platform for intellectual exchange and learning. Stay tuned for the third issue of ArthNiti, where we will delve into compelling topics and provide a space for meaningful dialogue. We look forward to embarking on this intellectual journey with you and exploring the multifaceted connections between sustainability, public policy, economics, and commerce.

Team, ArthNiti

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Editor's Note

Dear Esteemed Readers,

The ArthNiti Editorial Board is thrilled to unveil our July 2025 edition, focusing on the critical theme of the Indian Budget 2025. While we initially envisioned a broader exploration encompassing a variety of economic trends, the complexity and significance of this year's budget compelled us to dedicate this edition solely to its analysis.

This decision wasn't taken lightly. We believe, as you do, that a comprehensive understanding of fiscal and social policies is vital to grasp the full impact of the budget on our economy. However, the depth and breadth of insights on the Indian Budget 2025 presented a unique opportunity to dive deep into its multifaceted implications. Rest assured, the exploration of other economic trends remains central to our mission, and we will revisit them in future editions with renewed focus.

For this edition, our dedicated team meticulously curated a collection of articles that dissect the budget's social and fiscal policies and illuminate their impact across various economic sectors. Dive into our new edition to explore detailed analyses of how this budget will influence agriculture, manufacturing, technology, and services, as well as its broader implications for India's socioeconomic landscape.

Beyond that, delve into mental health economics, the history of nuclear submarines, a unique economic transformation, and the work of our student organizations!

A Special Thank You goes to our esteemed faculty members, including the Programme Director- Prof. Ashish Kathale Sir, Dean- Dr. Anjali Sane Ma'am, Newsletter Faculty Head- Sanika More Ma'am and Professors, for their invaluable guidance and support throughout the selection process.

We are confident that this edition will equip you with diverse perspectives and insights to become a powerful advocate for a more sustainable future.

With keen anticipation of your continued engagement,

Tean ArthNiti

The Re-Emergence of Protectionism in a Fragmenting Global Trade Order.

The post-Cold War global economy was built on the assumption that trade liberalisation would deepen economic interdependence and reduce geopolitical conflict. This assumption is now being challenged. Rising trade tensions between the United States and China, along with similar frictions between the European Union and China, indicate a decisive return of protectionist trade policies. Tariffs, export restrictions, and industrial subsidies have re-emerged as core policy instruments, signalling a departure from the free trade consensus.

The US–China trade conflict represents more than a conventional tariff dispute. It reflects concerns over technological leadership, supply chain dependence, and national security. Restrictions on semiconductors, telecommunications equipment, and advanced manufacturing inputs show that economic policy is increasingly driven by strategic considerations rather than efficiency alone. The European Union has adopted comparable measures, including anti-subsidy investigations and safeguard duties, particularly in green technologies.

These developments have disrupted global supply chains that were previously organised to minimise costs through cross-border fragmentation of production. Firms are now prioritising reliability and political stability over price competitiveness. As a result, supply chains are becoming shorter, regionally concentrated, and more expensive. This undermines the gains predicted by classical trade theory, such as lower consumer prices and global welfare maximisation.

The implications for the multilateral trading system are serious. The World Trade Organization has lost its enforcement capacity due to the paralysis of its dispute settlement mechanism. Major economies increasingly bypass WTO rules through unilateral actions, weakening the credibility of multilateralism. When rule adherence becomes selective, smaller economies face uncertainty and reduced bargaining power.

For India, the return of protectionism presents mixed outcomes. Slower global trade growth can constrain export expansion, especially in price-sensitive sectors. However, supply chain diversification away from China creates limited opportunities for alternative manufacturing locations. These opportunities are conditional and depend on domestic competitiveness rather than geopolitical goodwill alone.

Importantly, contemporary protectionism differs from earlier forms. It is not aimed at shielding infant industries but at securing strategic dominance in critical sectors such as technology, energy, and defence manufacturing. This suggests that protectionism is likely to persist rather than reverse in the short term.

India must therefore abandon binary thinking that contrasts free trade with self-reliance. The evolving global order demands strategic flexibility, where openness is selectively combined with domestic capacity building.

Kalpakshi Kadam,
TY BSc Economics

Friend-Shoring and the China+1 Strategy: Assessing India's Manufacturing Prospects.

The concept of friend-shoring has gained prominence as countries reassess the risks associated with concentrated supply chains. Instead of relying solely on cost efficiency, governments and firms now prioritise production locations aligned with political trust and strategic interests. This shift has accelerated the China+1 strategy, under which companies diversify production away from China while maintaining limited engagement.

India is frequently identified as a potential beneficiary of this transition. Its large labour force, expanding consumer market, and improving digital infrastructure enhance its attractiveness. Government initiatives such as Production-Linked Incentive schemes aim to encourage investment in electronics, pharmaceuticals, and renewable energy manufacturing.

However, translating geopolitical opportunity into sustained industrial growth requires confronting structural constraints. India's logistics costs remain high relative to competing manufacturing economies. Port inefficiencies, inadequate freight connectivity, and procedural delays increase transaction costs and reduce export competitiveness. Manufacturing ecosystems in East Asia benefit from dense supplier networks that India has yet to fully develop.

Skill availability also poses a challenge. While India produces a large number of graduates, there is a shortage of industry-ready technical workers and mid-level manufacturing professionals. Manufacturing productivity depends not only on labour quantity but on skill depth and process discipline—areas where India lags behind established manufacturing hubs.

Institutional factors further complicate the picture. Land acquisition processes are slow, labour regulations vary widely across states, and MSMEs struggle with limited access to finance and technology. These firms are essential for backward and forward linkages in manufacturing value chains, yet their productivity remains low.

Friend-shoring also introduces new vulnerabilities. Dependence on a narrow group of partner countries can expose India to external demand shocks and policy conditionalities. Strategic alignment may constrain policy autonomy, particularly in areas related to data governance, industrial subsidies, and environmental standards.Therefore, while the China+1 strategy offers an opening, it should not be overstated. Competing economies such as Vietnam and Mexico have captured larger shares of relocated manufacturing due to simpler regulatory frameworks and superior logistics integration.

India's comparative advantage lies in scale and long-term market potential, but without efficiency gains, scale alone cannot sustain competitiveness. Realising the benefits of friend-shoring requires systematic investment in infrastructure, skill development, and MSME upgrading rather than reliance on fiscal incentives alone.

Kalpakshi Kadam,
TY Bsc. Economics

Trade Wars, Tariffs and Trust: India's Opportunity in a Fractured Global Trading System.

For nearly three decades, global trade policy was driven by a single assumption: efficiency matters more than resilience. Cheap production, integrated supply chains, and multilateral rules under the WTO defined globalization. That era is ending. Trade wars between the US and China, followed by EU–China tensions, have fractured trust in global commerce. Tariffs are back, supply chains are shortening, and economic diplomacy is replacing free trade rhetoric. India now finds itself at the centre of this realignment—by opportunity, not by choice.

The return of protectionism is no longer ideological; it is strategic. The US–China trade war began with tariffs but evolved into a broader decoupling in technology, semiconductors, and critical minerals. The EU followed with carbon border taxes, anti-subsidy probes, and strategic autonomy goals. These actions have weakened global value chains that once relied heavily on China as the "factory of the world." Firms now price geopolitical risk alongside cost efficiency, fundamentally altering production decisions.

This shift has accelerated the transition from free trade to friend-shoring. Countries increasingly prefer trade partners that are politically aligned, institutionally predictable, and strategically reliable. Trust now matters as much as price. Manufacturing is relocating—not to the cheapest destination—but to places perceived as stable and non-hostile.

This has redrawn the global manufacturing map, favouring countries like Vietnam, Mexico, and India.

India's position as an alternative manufacturing hub is strengthened by scale, demographics, and market size. The China+1 strategy has opened doors in electronics, pharmaceuticals, renewable energy components, and defence manufacturing. Schemes like Production Linked Incentives (PLI) signal policy intent. However, India's constraints are structural. Logistics costs remain high, port efficiency lags behind East Asia, and skill mismatches persist despite a large workforce. Without sustained infrastructure and human capital investment, India risks becoming an assembly hub rather than a manufacturing powerhouse.

Simultaneously, the decline of the WTO has altered the rules of the game. Consensus-based dispute resolution has weakened, and enforcement has stalled. In this vacuum, bilateral and regional Free Trade Agreements (FTAs) have emerged as power centres. Countries are negotiating trade terms based on strategic alignment rather than universal rules. India's cautious approach to FTAs has protected domestic industries but also limited market access in key regions.

The impact on India's economy is uneven Export-oriented sectors like electronics and chemicals gain from supply chain diversification, while MSMEs face adjustment pressures from compliance costs and import competition. Job creation depends heavily on whether India moves up the labour-intensive. Inflation risks persist as tariffs raise input costs, especially in intermediate goods.

India’s policy choices ahead are therefore critical. Pure self-reliance risks isolation; indiscriminate openness risks deindustrialisation. The viable path lies in selective openness—strategic FTAs, targeted industrial policy, and investment in logistics and skills. In a fragmented global order, India’s success will depend less on ideology and more on execution.

Kalpakshi Kadam,
TY Bsc. Economics

From Globalisation to Geopolitics: How Trade Wars Are Reshaping India's Economic Future.

Global trade is no longer governed by comparative advantage alone. It is now shaped by geopolitics, national security, and strategic trust. Trade wars, particularly between the US and China, have transformed tariffs from economic instruments into geopolitical weapons. As globalisation fragments, India faces a paradox: rising global relevance alongside rising domestic pressure.

The resurgence of protectionism marks a sharp reversal from the post-1990s trade consensus. Tariffs, export controls, and investment restrictions are being used to secure technological dominance and reduce strategic vulnerability. Supply chains once optimised for speed and cost are now being redesigned for redundancy and reliability. The fragmentation of these chains has raised production costs globally, contributing to inflation and slowing trade growth.

This environment has given rise to friend-shoring, a model where trust outweighs efficiency. Countries are clustering production within political alliances. The US seeks supply chains that exclude strategic rivals, while the EU prioritises regulatory alignment and climate compliance. This has reduced the role of neutral multilateralism and increased the importance of strategic partnerships.

For India, this creates a window of opportunity. As firms seek alternatives to China, India offers democratic stability, a large domestic market, and policy predictability. Sectors such as electronics, automotive components, and pharmaceuticals have seen increased foreign investment interest. Yet the constraints are binding. Infrastructure gaps, land acquisition delays, regulatory uncertainty at state levels, and insufficient vocational training limit India's absorptive capacity.

At the institutional level, the weakening of the WTO has altered bargaining power. With dispute settlement mechanisms stalled, powerful economies increasingly bypass multilateral rules. FTAs now define access to markets, standards, and supply chains. India's reluctance to join mega-trade agreements like RCEP reflects legitimate concerns about domestic industry, but it also risks marginalisation from fast-growing Asian value chains.The economic impact of this transition is complex. Export competitiveness improves in sectors aligned with global diversification, but MSMEs struggle with compliance, quality standards, and capital access. Employment generation depends on whether manufacturing expansion is capital-intensive or labour-absorbing. Meanwhile, tariffs and trade barriers raise import costs, feeding into domestic inflation, especially for energy, fertilisers, and electronics.

India now faces three strategic paths: aggressive self-reliance, full liberalisation, or calibrated integration. The first risks inefficiency and fiscal strain, the second exposes vulnerable sectors, and the third demands state capacity and long-term planning. Strategic FTAs, industrial clusters, logistics reform, and skill development must move in tandem.

In a world where trade is no longer neutral, India's challenge is not choosing sides—but building strength. The global order may be fragmenting, but for India, fragmentation can become leverage—if policy ambition is matched by institutional delivery.

Kalpakshi Kadam,
TY Bsc. Economics

Trade Wars, Tariffs & Trust: India's Economy in a Fragmenting Global Order

In today's times, there has been a disruption in the global trading system. Once this system was driven by mutual agreements and cooperation but now it's deeply affected by the geopolitics around the world. Rising tensions and conflicts have arisen in major economies like China, USA and the European Union which has affected the supply chain and increased import cost . This has made the world fragmented. India faces a pivotal phase marked by both emerging opportunities and complicated policy challenges.The policies by the US government involved rules to address trade deficits and push non trade goals, with hike in rates, impacting key partners like India (50%) and Brazil (50%). The tariff hike exceeded to about 20-50% hindering trade and affecting the global economy. It also abandoned the most favoured nation , an integral WTO rule to treat the trading partners equally(e.g., 50% on India/Brazil, 30% on China, 20% on Vietnam). Tariffs were used as a weapon to pressurize countries on issues like trade with Iran (triggering penalties) or to protect strategic supply chains.

The US President Donald Trump announced the additional tariffs will be implemented on Indian goods from 27th August 2025, on 6 August 2025 which are getting imported in the US. This follows an earlier 25% duty implemented on August 1, 2025, targeting India's continued purchase of Russian oil amid geopolitical friction over the Russia-Ukraine war. These were really high tariffs as compared to other partners. This high tariffs has caused a lot of worry in India because it puts their USD 87 billion worth of exports to the US at risk and is making the relationship between the two countries tense.The countries have retaliated though sometimes with limited action, and some sectors remain exempt.The US recorded a trade deficit of approximately USD 45.7 billion with India.India's major exports to the US include pharmaceuticals, precious stones and jewellery, electrical machinery, and mechanical appliances.The US remains India's largest goods trading partner, accounting for nearly 11% of India's total trade.

Certain high-priority sectors continue to remain exempt in order to safeguard U.S. interests, supply chains, including pharmaceuticals, semiconductors, energy resources(crude oil, natural gas), and minerals . The following industries face the greatest exposure under the new 50% tariff regime, textiles and apparel, gems and jewellery, leather and footwear, marine products, chemicals and automobile components.

These tariffs negatively affected the Indian economy. India's exports to the US fell by 15% in September 2025, compared to 20% in April-August 2025. There was a decline in textiles and readymade garments exports recorded an annual decline of 10.1%. The cotton yarn and fabric exports declined by 11.7% . The gems and jewelry growth slowed to a mere 0.4%.In contrast, electronic goods exports grew by 50.5%, particularly sharply in smartphone exports.Trump's tariff policy has begun to impact the shrimp prices in the US market, with prices rising by 15-20% as India's share of supplies in the US shrimp market is approximately 45%, worth approximately $6 billion annually. It affected employment in the country, millions of jobs in the textile, leather, and jewelry sectors could be affected. There has been a shift in the Indian exporters are now turning to alternative markets such as China, the UAE, Spain, and Bangladesh. The small and medium-sized manufacturing exporters are losing competitiveness due to rising costs due to high tariffs.

It is important for the country to take vital steps to protect its economy. India can diversify its export market (Africa, Africa, Latin America, ASEAN) to boost demand , signing agreements to promote free trade. By this, India will be able to reduce its dependence on the USA. It should expand the manufacturing sector to boost exports and make cost effective products. It should lower import duties on foreign machinery and components to help Indian manufacturers upgrade technology, improving quality and cost efficiency.

The current scenario shows that the global trading system is gradually shifting away from cooperation toward power-based negotiations. Institutions like the WTO are losing influence as major economies increasingly rely on unilateral measures. For countries such as India, this changing environment demands flexible trade policies and stronger engagement with emerging markets to remain competitive in international trade.

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