

RELOOKING INDIA'S TARIFF POLICY FRAMEWORK



Relooking India's Tariff Framework

Main Report

This Study has been undertaken by Export-Import Bank of India (EXIM Bank) in collaboration with Dr. H.A.C. Prasad, Former Senior Economic Advisor, Ministry of Finance, Government of India

This paper is an attempt by EXIM Bank to disseminate the findings of research studies carried out in the Bank. The results of research studies can interest exporters, policy makers, industrialists, export promotion agencies as well as researchers. However, views expressed do not necessarily reflect those of the Bank. While reasonable care has been taken to ensure authenticity of information and data, EXIM Bank accepts no responsibility for authenticity, accuracy or completeness of such items.

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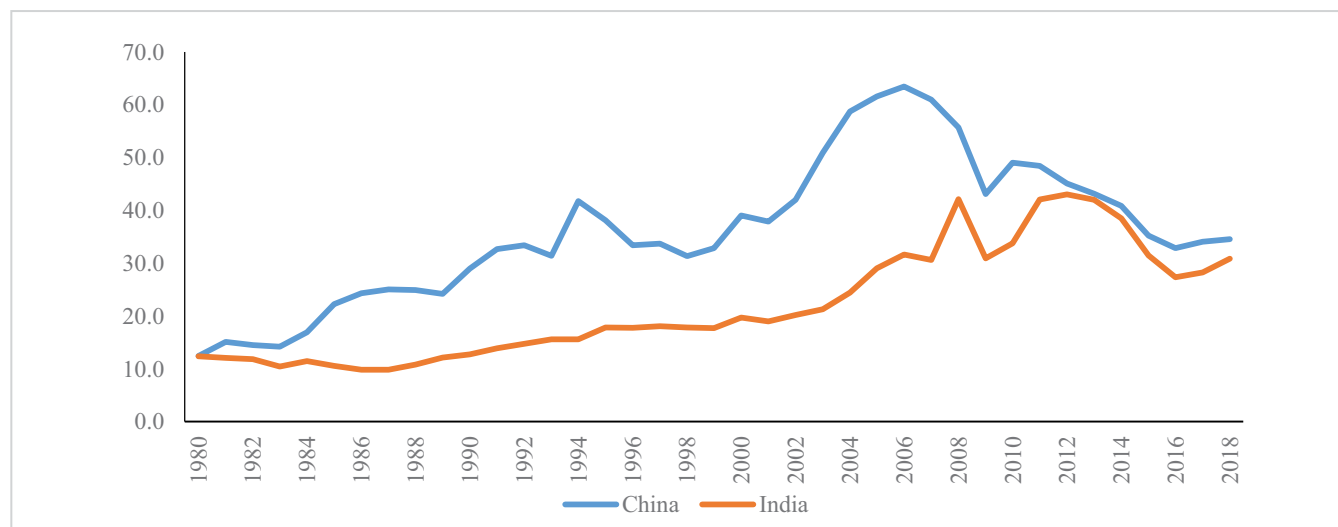
Recent Global and Indian Trade Performance and Tariffs

This chapter briefly examines India's progressive liberalization and tariff movements; gives the recent developments in global and Indian trade situations; analyses the rising protectionist tendencies; and reviews the recent developments in India's trade negotiations, both multilateral and in FTAs/RTAs.

1.1 India's Trade Openness and Tariffs since the 1991 Reforms

Until the early 1990s, India was a relatively closed economy. Since then, India has embarked on economic reforms that have progressively opened up the country to international trade (Figure 1.1). The trade openness indicator given by total trade to GDP ratio shows that the gap between India and China was less in the early 1980ies, then it widened and only in the last few years, the gap has narrowed down. Some studies indicate that trade liberalization has helped India improve its comparative advantage in industries with medium- to high-technology content, as well as in some of the industries enjoying the most robust growth in global demand (ADB, 2009) and thus close the gap in its trade openness with China.

Figure 1.1: Trade Openness (% of GDP) -India Vs China

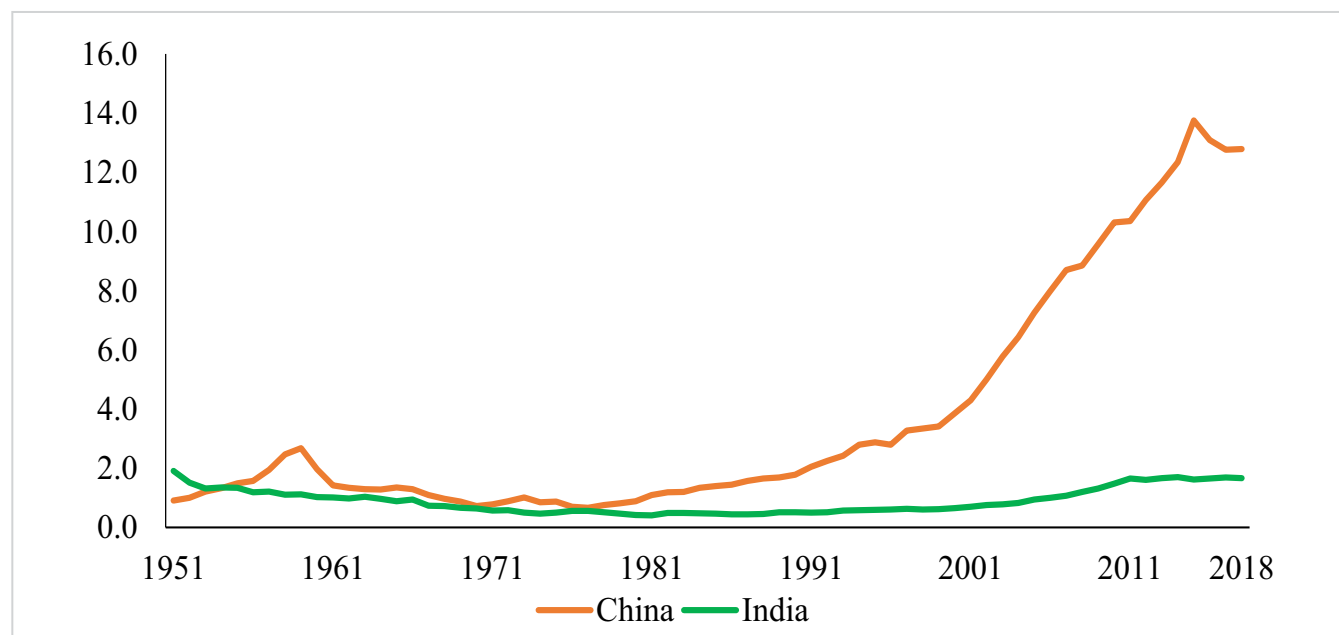


Source: Based on the IMF's WEO, Oct 2019

In 1991, the country embarked on a series of major trade reforms, progressively cutting tariff and non-tariff barriers, phasing out quantitative restrictions, and easing limitations on the entry of foreign investment. Even though India is still considered a highly protected economy, progressive liberalization has produced remarkable results. The country's openness indicator has more than trebled since the late 1980s, and the economy has been expanding at a high rate, second only to

China except for the recent slowdown. Exports contributed greatly in the growth in China as the share of China's exports to World exports increased almost 14 times in the last 3 decades, whereas India's export share in World exports remained flat after a slight improvement in the 1990s and 2000s period i.e., after the economic reforms including trade reforms. In 2018 the shares of China and India in World exports were 12.8% and 1.7% respectively (Figure 1.2).

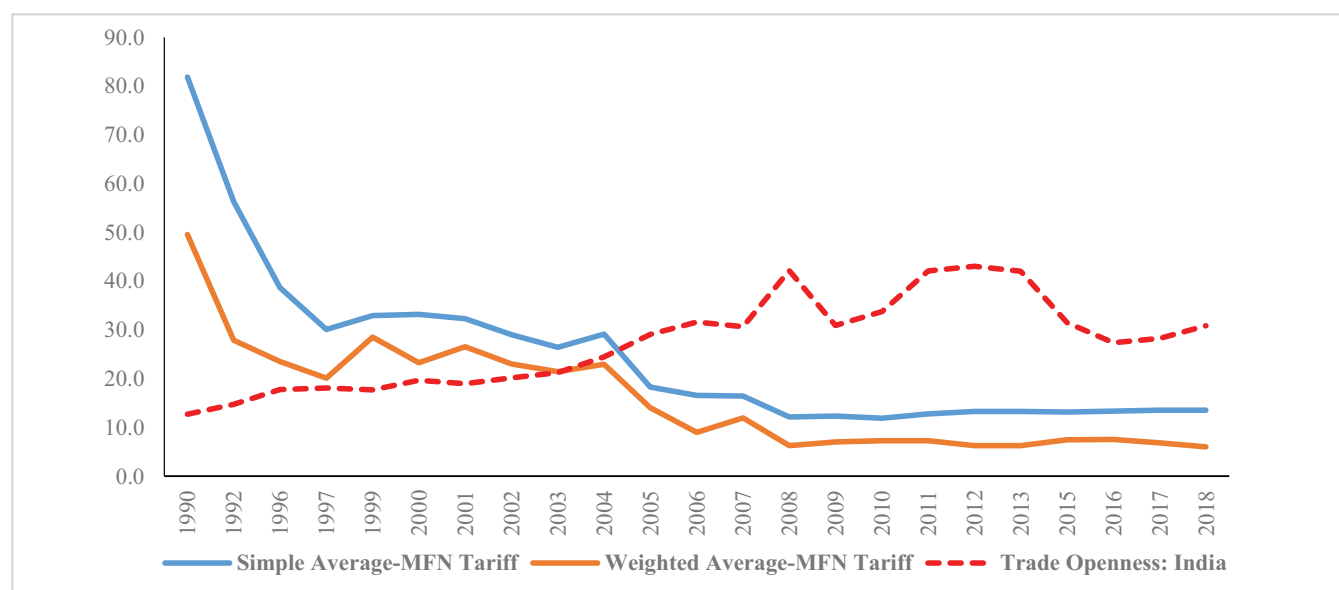
Figure 1.2: India's Export Share in World Exports (%)



Source: Computed from WTO data

The increasing openness was also due to tariff liberalization with trade openness and tariff reductions moving in opposite directions. However, following the recent global trend of protectionist measures, both simple and weighted tariffs have risen in 2018 (Figure 1.3).

Figure 1.3: India's MFN Tariffs and Trade Openness (%)



Source: Computed from WITS-TRAINS data and IMF : WEO

1.2 Recent Global Trade Situation

As per the IMF's World Economic Outlook (WEO), October 2019, the pace of global economic activity remains weak after slowing sharply in the last three quarters of 2018. Rising trade and geopolitical tensions have increased uncertainty about the future of the global trading system and international cooperation more generally, taking a toll on business confidence, investment decisions, and global trade.

In the recent January 2020 update of IMF's WEO, global growth is projected to rise from an estimated 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent for 2021—a downward revision of 0.1 percentage points for 2019 and 2020 and 0.2 percentage points for 2021 compared to those in the October 2019 WEO. The downward revision primarily reflects negative surprises to economic activity in a few emerging market economies, notably India, which led to a reassessment of growth prospects over the next two years. On the positive side, market sentiment has been boosted by tentative signs of manufacturing activity and global trade bottoming out; a broad-based shift toward accommodative monetary policy and intermittent favourable news on US-China trade negotiations. Trade policy uncertainty, geopolitical tensions, and idiosyncratic stress in key emerging market economies continued to weigh on global economic activity, especially manufacturing and trade, in the second half of 2019. The global recovery is projected to be accompanied by a pickup in trade growth (albeit more modest than forecast in October), reflecting a recovery in domestic demand and investment in particular, as well as the fading of some temporary drags in the auto and tech sectors. These outcomes depend to an important extent on avoiding further escalation in the US-China trade tensions (and, more broadly, on preventing a further worsening of US-China economic relations, including around tech supply chains), and the economic ramifications of social unrest and geopolitical tensions remaining contained.

1.2.1 IMF Estimates of Global Trade

World trade volume (goods and services) growth is estimated at 3.7 per cent in 2018, projected to grow at a lower rate of 1 per cent in 2019 and expected to improve to 2.9 per cent in 2020 and to 3.7 per cent in 2021 as per IMF's WEO Update, January 2020 (Table 1.1).

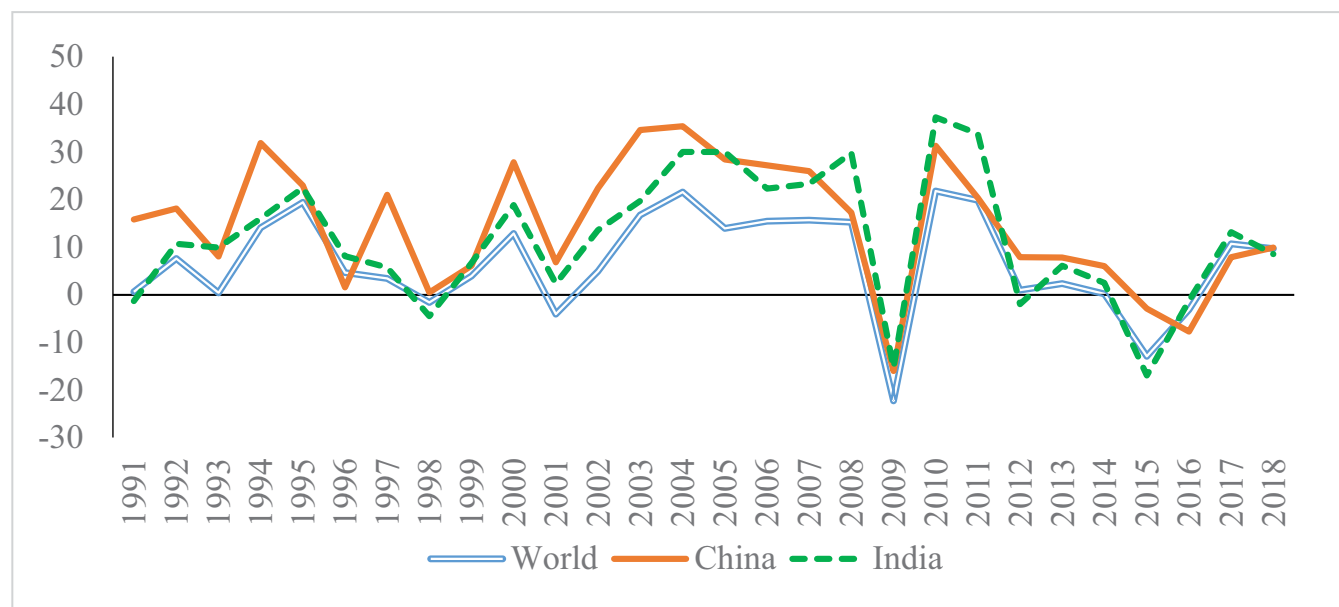
Table 1.1: World Trade Outlook

	Estimate		Projections		Difference from Oct 2019 WEO Projections	
	2018	2019	2020	2021	2020	2021
World Trade Volume (Goods and Services)	3.7	1.0	2.9	3.7	−0.3	−0.1
Advanced Economies	3.2	1.3	2.2	3.1	−0.4	−0.1
Emerging Market and Developing Economies	4.6	0.4	4.2	4.7	0.0	0.0

Source: IMF WEO Update January 2020

World merchandise trade value which was growing more than twice as fast as world real income, plummeted in 2009 in the aftermath of the 2008 global financial crisis, rebounding sharply in 2010, basically due to the low base effect. However, since then, it weakened and slipped to negative territory in 2015. World trade growth was at the lowest level in 2015 since the global financial crisis. There is a slight revival in world trade growth in 2016 and 2017 and moderation in 2018. (Figure 1.4)

Figure 1.4: Export Growth : World, China and India



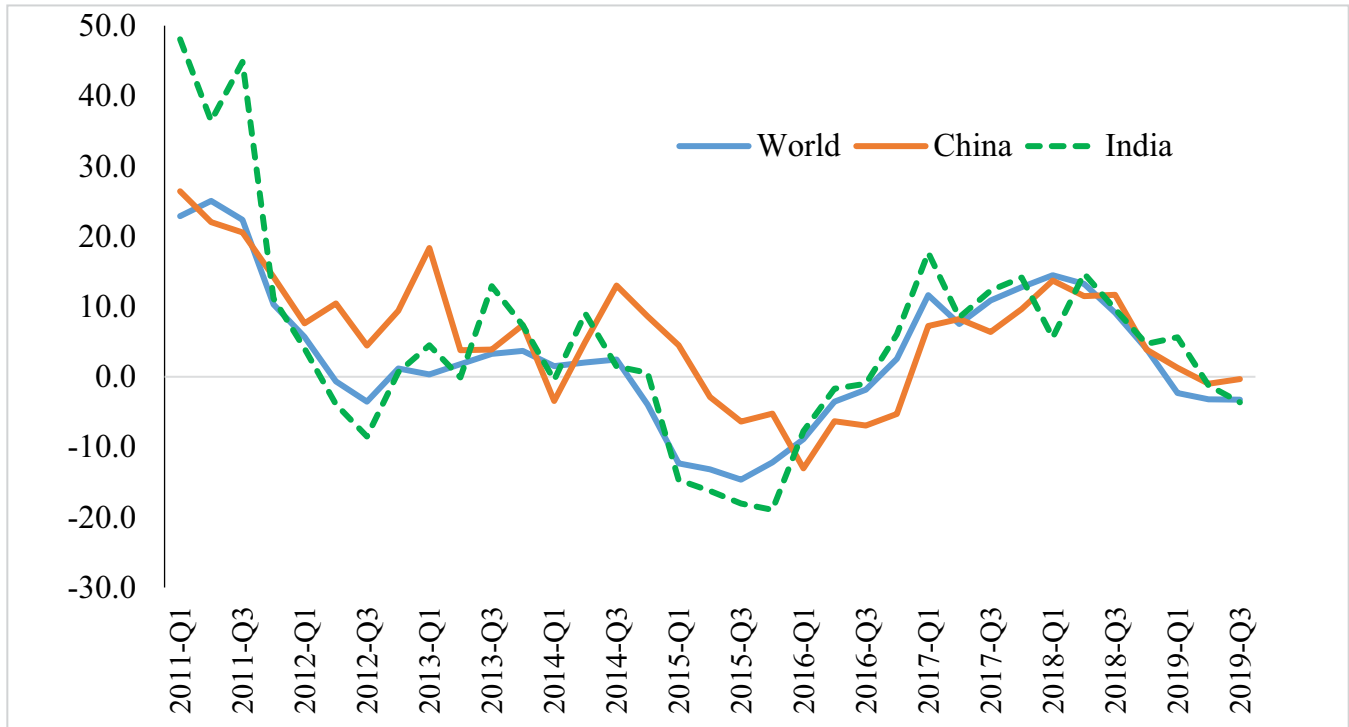
Source: Based on WTO data accessed on 01 Feb 2020.

1.2.2 WTO Projections

Escalating trade tensions and a slowing global economy have led WTO to sharply downgrade its forecasts for trade growth in 2019 and 2020 (WTO Press release dated 1st October 2019). World merchandise trade volumes are now expected to rise by only 1.2 per cent in 2019, substantially slower than the 2.6 per cent growth forecast in April 2019. The projected increase in 2020 is now 2.7 per cent, down from 3.0 per cent previously projected. Downside risks remain high and the 2020 projection depends on a return to more normal trade relations. Further rounds of tariffs and retaliation could produce a destructive cycle of recrimination. Shifting monetary and fiscal policies could destabilize volatile financial markets. A sharper slowing of the global economy could produce an even bigger downturn in trade.

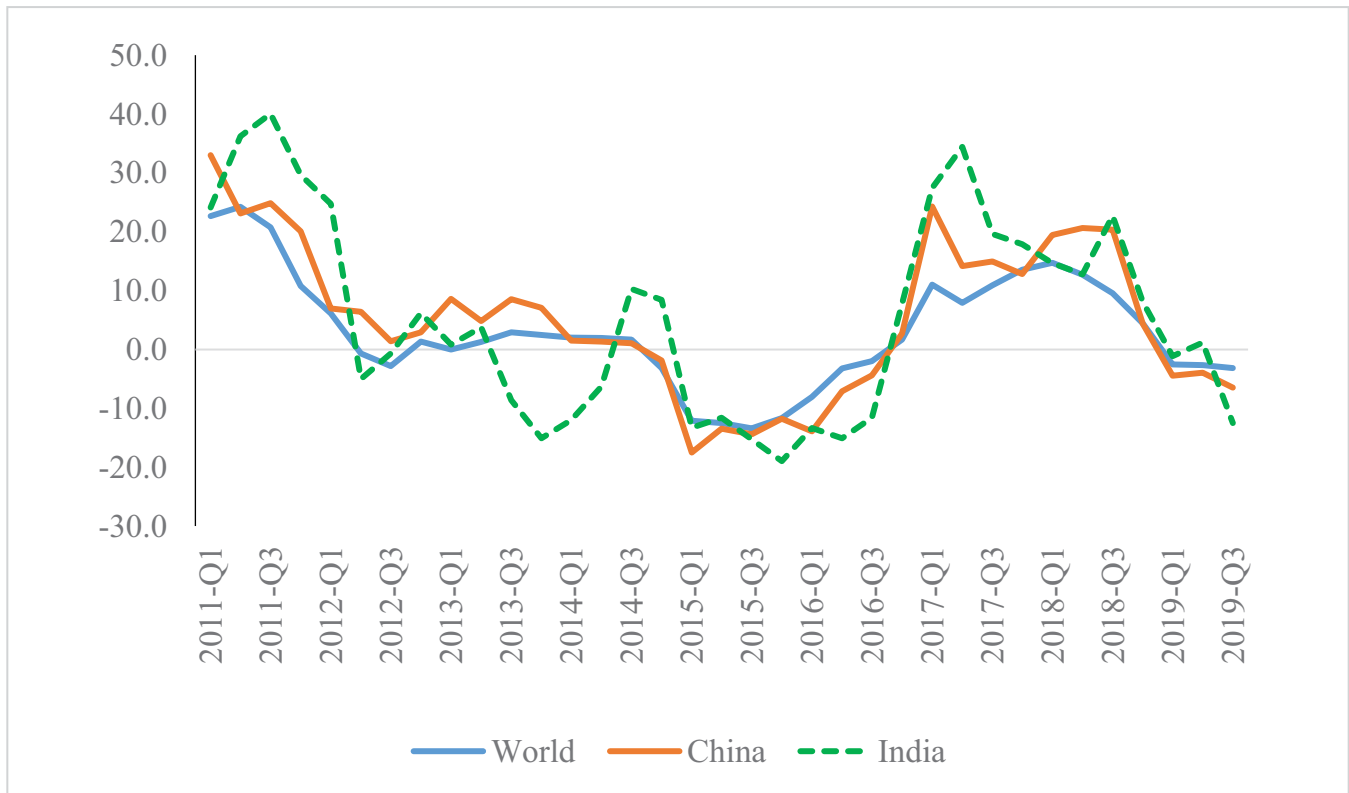
Comparing the quarterly growth performance of exports and imports of India, China and the World (Figure 1.5A and 1.5B) the trend is similar, with slowdown and even negative growth in both exports and imports in recent quarters for India, China and the World.

Figure 1.5-A: Export Growth-Quarterly



Source: Based on WTO data

Figure 1.5-B: Import Growth-Quarterly



Source: Based on WTO data

1.3 Global Tariff Levels, and Rising Protectionist Tendencies

1.3.1 Global Tariff Levels

Out of a set of 118 countries for which data on MFN simple average customs tariffs are available for 2018, India had the fifth-highest simple average MFN tariff (17.1 per cent). Only four countries Bahamas (32.5 per cent), Egypt (19.1 per cent), Algeria (18.9 per cent), and Ethiopia (17.4 per cent) have higher average tariffs than India. However, if we compare the trade-weighted average tariff for 108 countries whose data are available for 2018, India ranks 21st highest (11.7 per cent). Even if we compare both simple and trade weighted average tariffs of India, with comparable economies, India's average tariff is still very high. (Table 1.2). While the sudden increase in the simple average MFN tariff of India in 2018 to 17.1% as per WTO and WITS–WTO data may be a result of the recent measures being adopted by India in response to the global protectionist tendencies, the corresponding figure in 2017 was 13.8%. If the 2017 figure is taken for the countries for which data are available, then India is seventh highest in terms of simple average MFN tariff (out of 117 countries) and 48th highest in terms of weighted average MFN tariff (among 106 countries). This is also high by any standards, though India's tariffs are below the bound level.

**Table 1.2: India's MFN Tariff (Simple and Weighted Average)
- A Comparison with Select Countries**

Country	MFN - Tariff							
	Simple average				Trade weighted average			
	2007	2015	2017	2018	2007	2015	2017	2018
Afghanistan	5.7	5.9*	6.5*	6.5	8.1*	6.8*	6.1*	6.1
Brazil	12.2	13.5	13.4	13.4	8.7	9.9	10.3	10.0
China	9.9	9.9	9.8	9.8	5.0	4.5	5.2	4.8
EU	5.2	5.1	5.1	5.2	3.0	2.7	3.2	3.0
India	14.5	13.4	13.8	17.1	8.0	7.0	7.5	11.7
Indonesia	6.9	6.9*	8.1	8.1	4.0	4.4*	5.3	5.4
Japan	5.1	4.0	4.0	4.4	2.0	1.9	2.5	2.4
South Korea	12.2	13.9	13.7	13.7	7.0	8.1	9.0	8.1
Malaysia	8.4	6.1*	5.6	5.6*	4.7	4.4*	4.5	4.5*
Mauritius	3.5	1.0	0.7	0.8	2.1	0.9	1.0	0.9
Pakistan	14.1	12.3	12.1*	12.1	12.8	9.9	10.9*	10.9
Philippines	6.3	6.3	6.3	6.2	4.2	4.8	6.0	5.7
Russia	11.0	7.8	6.7	6.8	11.8	8.1	5.7	5.6
Singapore	0.0	0.2	0.0	0.0	0.0	0.4	0.0	0.0
South Africa	7.8	7.6	7.6	7.7	6.4	5.7	6.6	6.5
Sri Lanka	11.0	9.3	9.3	9.3	8.0	8.2	7.0	8.6
Thailand	10.5	11.0	9.6	9.6*	4.8	6.4	6.7	6.7*
UAE	5.0	4.7	4.8	4.8	5.3	3.9	4.0	3.7
USA	3.5	3.5	3.4	3.5	2.1	2.2	2.4	2.3

Source: Compiled from WTO data. Note: * means the values of the nearest years.

The number of distinct duty rates of India declined gradually from a high of 705 in 2007 to 210 in 2017. This increased to 252 in 2018 with the introduction of various protective tariff measures. Compared to other comparable economies like Indonesia, Malaysia and Singapore, the number of distinct duty rates of India are much higher. However, countries like USA, EU, Russia and Japan have still higher number of distinct duty rates due to the numerous specific and mixed tariffs (Table 1.3). The high distinct duty rates of India are also due to the presence of many non-ad valorem duties which however cover a small percentage of total imports. Non- ad valorem duties are always treated as distinct because AVE calculations would always yield distinct AVEs.

Table 1.3: Number of Distinct MFN Duty Rates - A Comparison of India with Select Countries

Country	2007	2013	2014	2015	2016	2017	2018
Afghanistan	53	14	NA	NA	NA	NA	16
Brazil	14	23	23	14	14	19	14
China	110	86	86	83	81	116	100
EU	1697	1163	886	883	902	905	913
India	705	312	312	296	295	210	252
Indonesia	29	48	46	NA	32	36	33
Japan	733	447	472	444	444	464	469
South Korea	160	111	111	109	114	134	139
Malaysia	130	71	73	NA	81	94	NA
Mauritius	375	234	243	243	251	7	6
Pakistan	60	62	59	61	58	NA	58
Russia	1926	434	388	325	555	563	570
Singapore	7	6	6	6	6	6	5
South Africa	239	204	232	239	237	235	240
Sri Lanka	114	NA	122	119	NA	114	131
Thailand	147	200	152	134	NA	201	NA
UAE	49	9	9	10	8	8	10
USA	1296	11434	1254	1106	1105	1123	1127

Source: Based on WTO data.

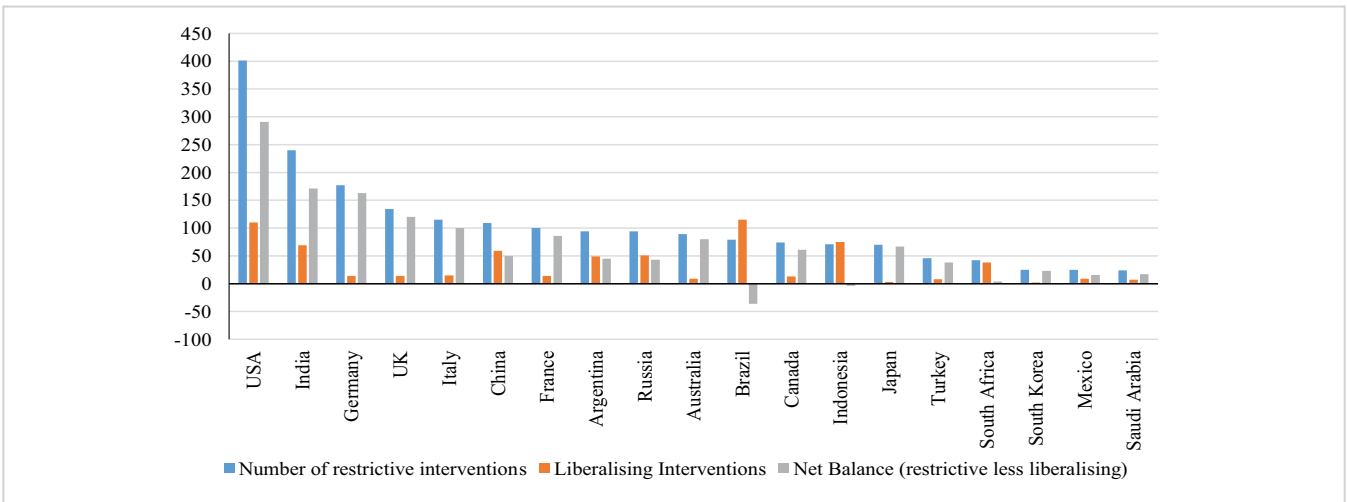
1.3.2 Rising Protectionist Tendencies

Protectionism has been on the rise in recent years. As per an ECB report (2019), trade integration has slowed over the last decade. The process of trade integration which started after the Second World War gained new momentum in the 1980s and had a golden age in the period 1990-2008, when total trade in goods and services increased from 39 per cent to 61 per cent of World GDP. Since then, trade has slowed down to its current 58 per cent of world GDP, while protectionism has been on the rise, driven by an increase in non-tariff and, more recently, tariff barriers. At the same time, public support for globalisation has declined on both sides of the Atlantic. While factors such as Brexit and Euroscepticism have challenged the principles of economic integration in Europe, the benefits of free trade have been openly called into question in the United States. Trade tensions escalated in 2018 as protectionist threats by the US and retaliatory responses by its main trading partners were followed by concrete actions. Rising protectionism could harm trade and economic activity. There is widespread consensus among economists on both the overall net benefits of trade openness and the need to cushion the negative impact it has had on certain groups in society. However, raising trade

barriers is not the solution to the latter. Reversing trade integration may put at risk the net economic gains it generated and undo the benefits of close trade and investment links, as well as unsettle global financial markets.

During the last three years (2016 to 2018), among the G-20 nations, the maximum number of trade restrictiveness interventions were made by the USA followed by India, Germany, UK, Italy, and China (Figure 1.6). While in the same period, the maximum number of liberalizing interventions was made by Brazil, followed by Indonesia, USA and India. The restrictive interventions are mainly in the form of Antidumping. The liberalizing interventions are mainly in the form of Import Tariff reforms and FDI relaxation.

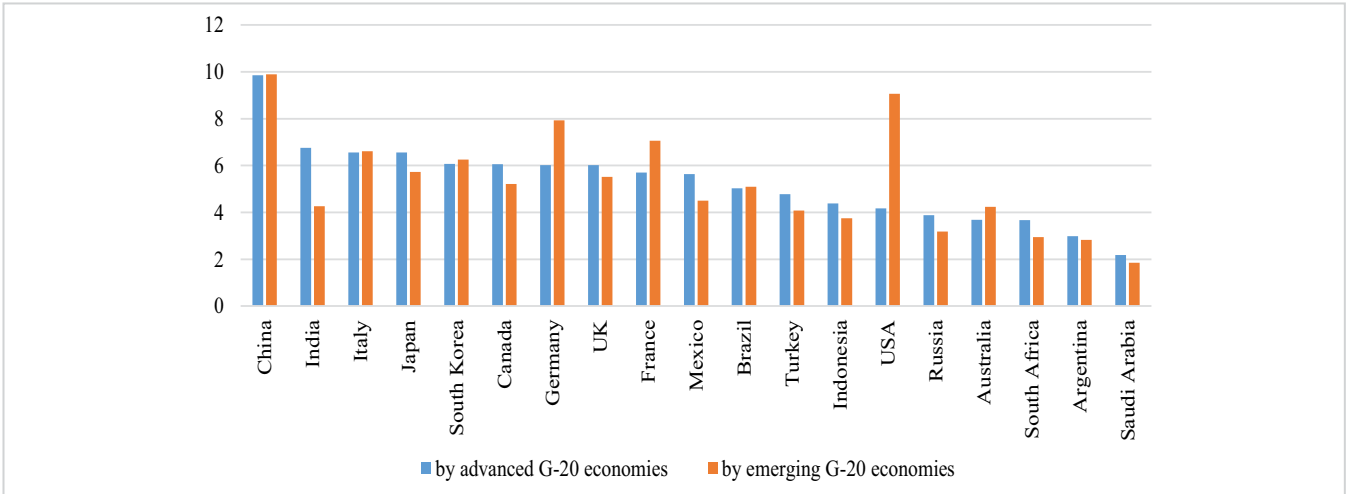
Figure 1.6: Trade Interventions Implemented during 2016-2018



Source: Based on Global Trade Alerts (extracted from www.livemint.com)

While comparing restrictive interventions faced by economies from Advanced G-20 vs emerging G-20 countries during 2016 to 2018, India faced the second-highest number of restrictive interventions from Advanced G-20 economies (Figure 1.7).

Figure 1.7: Percentage of all Restrictive Interventions Implemented between 2016 and 2018 by Advanced/ Emerging G-20 Countries

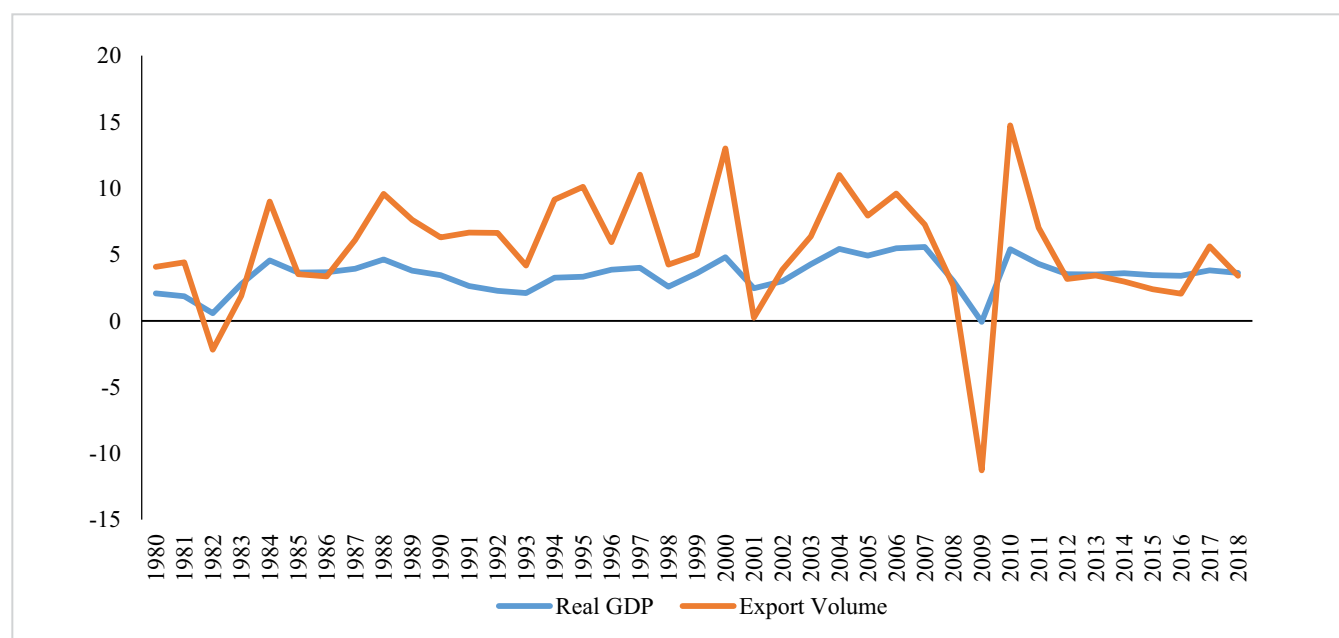


Source: Based on Global Trade Alerts (extracted from www.livemint.com)

1.3.3 Impact of Protectionism on Trade and Output

Many studies have indicated that rising protectionism can affect economic activity through several channels. As we can see there is a high correspondence in the movement of world GDP growth and trade volume growth (Figure 1.8). As pointed out in the ECB report (ECB 2019), higher import tariffs increase trade costs, which may alter both the quantity and the price of internationally traded goods. This is often referred to as the trade channel of transmission. The existence of complex global production supply chains can magnify this effect. In addition, higher trade costs can affect financial flows and credit conditions. This may occur, for example, if increased uncertainty over future trade policy leads to financial stress and a broad reassessment of risk premia. The way in which the different channels play out in a trade dispute, and the consequent impact on economic activity, depends on several factors, including whether trading partners retaliate and whether the dispute remains confined to a small number of countries, rather than developing into a full-blown trade war.

Figure 1.8: World Real GDP and Export Volume Growth -1980 to 2018 (Per Cent)



Source: Computed from IMF data

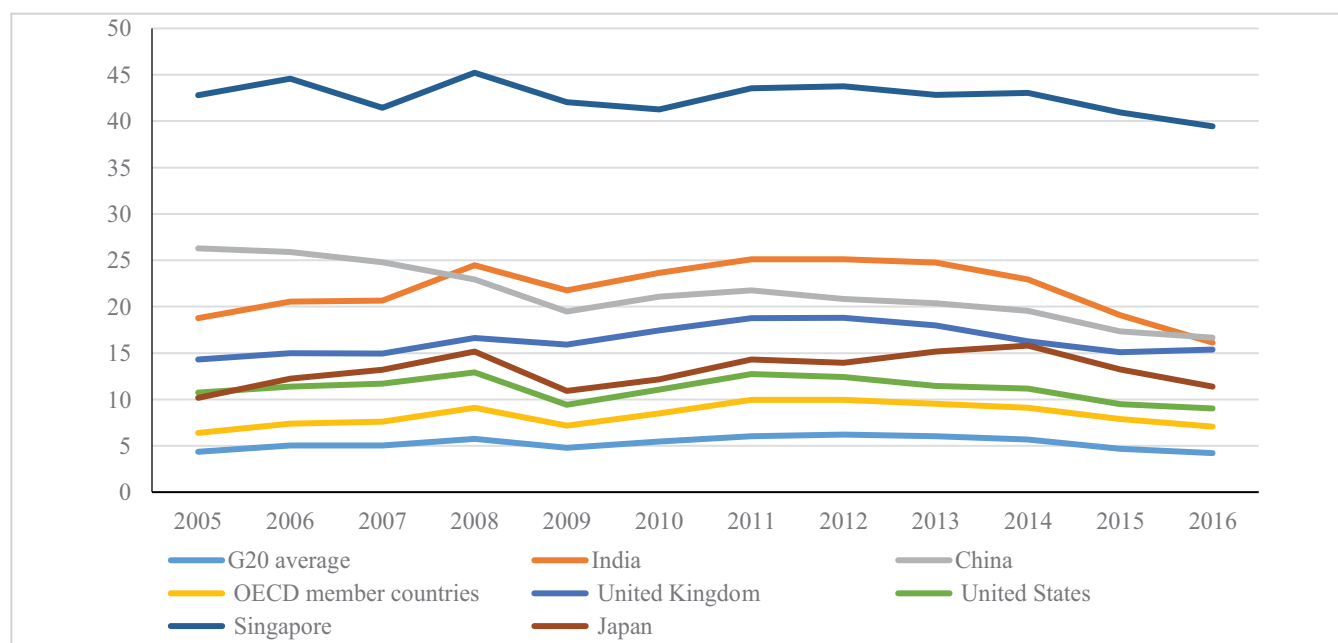
The impact on economic activity in the country imposing tariffs depends on a) whether imported goods can be substituted by domestic production, and b) whether trading partners retaliate. If tariffs are against a particular country, then the extent of substitution from other sources becomes important. If, however this is not possible and tariffs result in higher prices, then import prices will push up domestic firms' production costs and domestic inflation, thereby lowering households' real disposable income. Even for substitution from other sources to take place, there is a time lag. However, the higher prices of imported goods may also induce domestic customers to switch from imported to domestically produced goods. The relative importance of these two effects, and the net impact on economic growth, depends on the degree of substitutability between domestically produced goods and imported goods. If imported goods can be easily substituted through domestic production, consumption and economic activity rise. The positive impact on economic activity could be lessened if the exchange rate appreciates following the increase in import prices. In addition, if the trading partners hit by the tariffs retaliate – as is often the case – any potential benefit could be

reversed. But if the tariffs are on final consumer goods or sensitive agricultural products, the impact may be different.

Growing Protectionism can end up in Trade Conflicts or even Trade Wars as the World is witnessing presently. The US is in the centre of these conflicts as in the case of US-China Trade War, US-India Trade Conflict, etc. (See Chapter 3)

Global Value Chain (GVCs) can amplify the impact of tariffs on trade and activity. GVCs have become increasingly complex, with goods crossing borders multiple times during the production process. The analysis by the Organisation for Economic Co-operation and Development (OECD) suggests that GVCs' pace of expansion might have slowed since 2011 (OECD TiVA data). As can be seen in Figure 1.9, the foreign value added content of India's exports, after rising in the early 2000s remained almost flat for some years and then declined as in many countries (Figure 1.9).

Figure 1.9: Foreign Value-added Content of Gross Exports (Percent)



Source: OECD Statistics-Trade in Value Added (TiVA) database

Note: The above chart only depicts “backward linkages”, i.e. when the country imports intermediate products to be used in its exports

In a world characterised by complex GVCs, goods cross borders several times and tariff costs increase as a result of the cascading effect. Compared with a situation in which the entire value-added of goods is produced domestically, in the case of GVCs, tariffs may have a proportionally larger impact on the profits of exporting firms, thereby increasing the incentive to pass on the higher costs through the value chain.

1.4 Recent Developments in Trade Negotiations including Tariffs

1.4.1 Multilateral

Negotiations in WTO including on tariffs are almost stalled. The WTO Doha Round is the latest round of trade negotiations. Its aim is to achieve major reforms in the international trading system through

the introduction of lower trade barriers and revised trade rules. India hosted a WTO Ministerial Meeting of Trade Ministers on 13-14 May 2019 in New Delhi wherein sixteen developing and six least developed countries along with the DG, WTO participated to deliberate on matters of concern to the member countries. The meeting culminated in an outcome document, which lays out priorities for developing countries in various areas and envisages addressing the challenges being faced by the Dispute Settlement System of the WTO. India has also been working collectively with other developing countries and has submitted a paper in the General Council meeting of the WTO spelling out the priorities that are required to be taken into consideration while undertaking reforms in the WTO. In particular, India has emphasized that special and differential treatment provisions are essential for better integration of the developing countries in the global trading system.

The twelfth Ministerial Conference of the WTO (MC12) is scheduled to be held in June 2020 in Nur-Sultan, Kazakhstan. Discussions for an outcome at MC12 are underway at various informal Ministerial meetings and regular meetings at the WTO.

As per WTO TPR 2015 for India, India's tariff structure remains complex and the simple average MFN tariff rate increased during the review period. Since India's Average Tariff has suddenly increased in 2018 as per WTO data, the issue may come up for discussion in MC12.

1.4.2 Regional and Bilateral

India has bilateral trade arrangements with many major regional groupings/ countries. India has 10 Free Trade Agreements (FTAs) and 6 Preferential Trade Agreements (PTAs) which are already in force (Details in Chapter 4). There are many on-going trade negotiations also. The list of ongoing negotiations shows that 22 such negotiations are going on simultaneously (Table 1.4). Of these some are new and some are expansions of the ones already in force. While tariff negotiations have been the major plank of FTA/RTA Agreements, of late other areas like Investment, Services, etc have been included in the FTA/RTA/CECA negotiations.

Table 1.4: India's On-going Trade Negotiations

S. No.	Name of the Agreement	Status
1	India - EU BTIA	Negotiations launched on 28th June, 2007 in the areas of Goods, Services, Investment, Sanitary and Phyto-sanitary Measures, Technical Barriers to Trade, Trade Facilitation and Customs Cooperation, Competition, IPR & GIs. etc. Sixteen rounds of negotiations have been held till date.
2	India - Sri Lanka Economic and Technical Cooperation Agreements (ETCA)	Eleven rounds of negotiations have been held so far.
3	India - Thailand CECA	Early Harvest Scheme on 83 items implemented. So far, thirty rounds of India-Thailand Trade Negotiation Committee (ITTNC) meetings have been held.
4	India - Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA)	The negotiations under CECPA include Trade in Goods, Trade in Services, Trade Remedies, SPS/TBT issues and Dispute Settlements. The negotiations for CECPA has been finalized.
5	India - EFTA TEPA (Iceland, Norway, Liechtenstein and Switzerland)	The India- EFTA TEPA (Trade and Economic Partnership Agreement) was launched in January, 2008. So far, seventeen rounds of negotiations have been held.

6	India - New Zealand FTA/CECA	Ten Rounds of negotiation of CECA have been held so far. The 10th Round was held in New Delhi on 17-18 February, 2015.
7	India – Israel Trade Agreement	Nine rounds of negotiations on India-Israel FTA have been held so far.
8	India - Singapore CECA (3rd review)	The Third review of India Singapore CECA was launched on 1st September, 2018.
9	India - SACU PTA (South Africa, Botswana, Lesotho, Swaziland and Namibia)	Five rounds of negotiations have been held so far.
10	India - Mercosur PTA expansion (Argentina, Brazil, Paraguay and Uruguay)	The existing India-MERCOSUR PTA is being expanded. The third meeting of the Joint Administrative Committee (JAC) was held in Brasilia on 29th September, 2016. Both sides have exchanged their initial offers on 14th September, 2017.
11	BIMSTEC CECA (Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal)	Twenty-one meetings of the Trade Negotiation Committee (TNC) have taken place. The 21st Meeting of BIMSTEC Trade Negotiating Committee (TNC) was held during 18-19 November, 2018 in Dhaka, Bangladesh.
12	India - Gulf Cooperation Council (GCC) Framework Agreement	Two rounds of negotiations have been held so far in 2006 and 2008. In 2011, GCC Secretariat stated to have deferred negotiations with all countries until the GCC States completely review the issue of negotiations. Recently GCC Secretariat vide its Note Verbale dated 6th November, 2019 has informed that GCC welcomes resumption of India-GCC FTA negotiations.
13	India – Canada FTA	Ten rounds of negotiations on India-Canada CEPA have been held so far. The 10th round was held in August, 2017 in New Delhi. An Inter-Sessional round was held in February, 2018 at Ottawa.
14	Australia – India CECA	Nine rounds of negotiations have been held. The 9th round of negotiations was held on 21-23 September, 2015 in New Delhi, India.
15	India-Malaysia CECA (1st Review)	The first meeting of the India-Malaysia Joint Committee meeting to review the implementation of India-Malaysia CECA was held on 8th December, 2014.
16	India-ASEAN Trade in Goods Agreement (1st Review)	India has requested for the review of India ASEAN Trade in Goods Agreement (AITIGA).
17	India-Korea CEPA review	Eight rounds of negotiations for upgrading India-Korea CEPA have been held so far. The 8th round was held on 17-18 June, 2019 in New Delhi.
18	India-Iran PTA	Four meetings have taken place so far
19	India-Peru Trade Agreement	Four rounds of negotiations have taken place so far.
20	India-EAEU Technical Consultations	The first round of technical consultations was held on 30-31 January, 2018 in New Delhi.
21	India-Bangladesh CEPA	A Joint Study for examining the feasibility of CEPA is to be carried out. India has identified the Centre for Regional Trade' for conducting the study and Bangladesh has been requested to identify a suitable organization for this purpose.
22	India-Chile PTA (2nd Expansion)	The first meeting of the 2nd Expansion of India Chile PTA was held in New Delhi on 10-11 December, 2019.

Source: Economic Survey 2019-20 Vol 2

1.5 A Sum Up

To sum up, India has undertaken the policy of tariff liberalization since the 1991 Economic Reforms. As a result, average tariffs have been falling except for the recent year 2018 when there is a rise which is in line with the rising protectionism in the World and is also in retaliation to the tariff actions of other countries.

Budget 2020-21 has also come out with some changes related to India's tariffs. While some measures are liberalizing in nature, some others have been taken to counter the rising protectionism of other countries and also with the aim of 'Make in India' (Box 1.1).

Box 1.1. Budget 2020-21: Some important changes related to Tariffs

Some important changes related to tariffs in Budget 2020-21 are the following:

Legislative Changes:

- A new Chapter VAA (a new section 28DA) is being incorporated in the Customs Act to provide enabling provision for administering the preferential tariff treatment regime under Trade Agreements. The proposed new section seeks to specifically provide for certain obligations on the importer and prescribe for time-bound verification from exporting country in case of doubt. Pending verification preferential tariff treatment shall be suspended and goods shall be cleared only on furnishing security equal to differential duty. In certain cases, the preferential tariff treatment may be denied without further verification.
- Clause (f) of section 11(2) empowers the Central Government, for the prevention of injury to the economy of the country by the uncontrolled import or export of gold or silver, to prohibit their import or export. This clause is being amended to include "any other goods" (in addition to gold and silver) in its ambit.
- A new section (section 51B) is being incorporated to provide for the creation of an Electronic Duty Credit Ledger in the customs system. This will enable duty credit in lieu of duty remission to be given in respect of exports or other such benefits in electronic form for its usage, transfer, etc. In this regard, enabling provisions for issuance of suitable regulations are also being inserted in section 157(2) of the Customs Act, 1962. The provisions for recovery of duties provided under section 28AAA of Customs Act, 1962 are also being expanded to include such electronic credit of duties.
- Section 8B of the Customs Tariff Act, 1975, which provided for the imposition of safeguard duty as a trade remedy against a surge in imports of a commodity, is being amended to make provisions for the application of other safeguard measures such as Tariff Rate Quota and other safeguard measures as the Central Government may deem necessary to protect the domestic industry from injury due to significant surge in imports.
- Creation of new tariff items like tariff items 8541 40 11 for "Solar Cells, not assembled" and tariff item 8541 40 12 for "Solar Cells assembled in modules or made up into panels". The tariff rate for these items is 20%. However, these items will continue at 'Nil' BCD.
- In the case of Anti-Dumping Rules, changes are being made in the Rules to strengthen the anti-circumvention measures by making them more comprehensive and wider in scope to

take care of all types of circumventions of antidumping duty in line with best international practice. Certain other changes are being made in these Rules for bringing clarity in the scope of these rules.

Review of Customs duty exemptions for certain imported goods including Agro and animal-based products like Tuna bait, skimmed milk and certain milk products, sugar beet seeds, raw sugar, certain alcoholic beverages, etc.; items of metals; machinery imported for use in certain projects; some electronic items and inputs used for their manufacture; miscellaneous items like Peanut butter, preserved potatoes, etc.

Changes in Customs duty for MSME and promoting Make in India

- To provide a level playing field for domestic producers, customs duty has been increased for household goods and appliances, electrical appliances, Footwear, Furniture goods, stationery items, toys, machinery, etc.
- Customs duty increased to promote 'Make in India under Phased Manufacturing Program (PMP) for Electric Vehicles and Cellular mobile phones.
- Customs duty increased to promote 'Make in India' in Electronics sector.
- Customs duty reduced on raw materials and inputs imported by domestic manufacturers in the areas of fuels, chemicals and plastics; Precious metals like Platinum or Palladium used in the domestic manufacture of other items, machinery and electronic goods; sports goods like willow used for sports goods manufacturing; and newsprint.
- Customs duty increased for Food processing industry like Walnuts, shelled; some Chemicals and Plastics; and Auto and Autoparts.

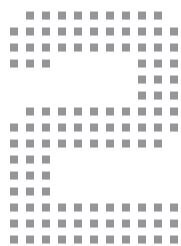
Health cess:

- Health cess imposed on imports of specified medical equipment to be used for financing health infrastructure and services.

Revocation of Antidumping duty on Purified Terephthalic Acid originating in or exported from:

- S. Korea and Thailand.
- China, Iran, Indonesia, Malaysia and Taiwan.

The relatively high average MFN tariffs of India suggest the need for tariff reforms which will be examined in the coming Chapters. The stalled WTO negotiations and the growing bilateral and regional agreements also call for a detailed look at the tariff policy in the context of bilateral/regional agreements. This will also be examined in the following Chapters.



India's Tariff Structure: General and Sector-Wise

This Chapter examines India's tariff structure in general and by sectors. In the beginning, India's tariffs and tariff structure are examined as per different terminologies. These include India's Bound and Applied MFN Tariffs, Total Duties, Effectively Applied Tariffs and the less common and rarely used Realized Tariff Revenue. Preferential Tariffs are dealt in detail in the next Chapter. Then import tariffs on India's exports in major markets are examined. This is followed by a comparison of tariffs in India and some select trading partner countries. India's tariffs by broad sectors, agricultural and non-agricultural and also by product groups are examined next. This Chapter also analyses India's tariffs by stages of processing. Finally, based on the analysis, inferences are drawn to arrive at Policy Suggestions

2.1 India's Tariffs as per different terminologies

Tariffs or Import Duties or Customs Duties as a layman understands has many jargons and terminologies. There are some international databases that have data to compute tariffs as per different terminologies. WITS data is one such database available on a time series basis and has many features for analysis. This is mainly used in this report, though WTO, ITC and USITC and Indian tariff databases have been used wherever needed. WITS data is of 2 types: WTO based WITS data and TRAINS based WITS data. While the difference in the indices given in these two is mainly in some years, particularly for 2018, TRAINS based WITS data has a longer time series and is available even for the year 1990, the pre-reforms year. The WTO based WITS data is available only from 1996 onwards and does not have all the parameters for two recent years 2017 and 2018, though the results of this data tally well with WTO Tariff Profiles data of WTO. Thus, WTO based WITS data seems better, from the point of view of uniformity; usefulness in inter-country comparisons; and for trade negotiations where WTO based data are usually used. To see all the parameters from a longer time perspective; TRAINS based WITS data seems advantageous. So, in this study, we have used a judicious mix of the different databases as per their relevance and suitability. Whichever database is taken, the results are more or less the same, though absolute values of indicators may differ, in some years in the different databases.

2.1.1 India's Applied MFN and Bound Tariffs

India's tariffs are in double digits with India's simple average applied MFN tariff at 17.1 percent in 2018 and trade-weighted average applied MFN tariff at 11.7 percent in 2017 as per WTO World Tariff Profiles, 2019. The simple average Agricultural and Non-Agricultural MFN applied tariffs were 38.8 percent and 13.6 percent in 2018, respectively and trade-weighted average tariffs were 63 percent

and 8.2 percent for Agricultural and Non-Agricultural sectors in 2017, respectively (Table 2.1A). Simple average MFN tariff as per WITS-WTO data is also similar at 17.2% in 2018 while weighted average MFN tariff indicators are not available for 2018. However, WITS-TRAINS data differs particularly for 2018 with Simple average MFN tariff at 13.5 percent and trade-weighted average tariff at 6.0% in 2018. The WITS-WTO data and WITS-TRAINS data give similar results for earlier years. In fact, for the year 2016 when both simple and weighted average MFN tariff data are available in both the databases, the simple average MFN tariffs and weighted average MFN tariffs are 13.3% and 7.5% as per WITS-WTO data and 13.4% and 7.5% as per WITS-TRAINS data. The noticeable difference in results has cropped up only in 2018.

Table 2.1 A: India's Applied MFN Tariffs

	WTO Tariff Profiles data			WITS-WTO data			WITS-TRAINS Data		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Simple Average									
Total	13.4	13.8	17.1	13.3	13.5	17.2	13.4	13.6	13.5
Agricultural	32.7	32.8	38.8	32.8	32.7	38.8	32.8	32.6	33.0
Non-Agricultural	10.2	10.7	13.6	9.8	9.9	13.3	10.0	10.0	10.0
Weighted Average									
Total	7.5	11.7	NA	7.5	NA	NA	7.5	6.8	6.0
Agricultural	34.8	63.0	NA	35.6	NA	NA	28.4	26.9	24.5
Non-Agricultural	5.5	8.2	NA	6.9	NA	NA	7.5	6.9	6.5

Source: Compiled from World Tariff Profiles 2017,2018,2019 and WITS database.

Thus, India's Simple Average Applied MFN tariff which is above 10% for total, 10% or above for the non-agricultural sector and above 30% for the agricultural sector in 2018 is considered to be relatively high in general and with respect to Agricultural Sector in particular. The weighted average applied MFN tariffs are however much lower, particularly for the Non-Agricultural Sector and Total at 6.5% and 6.0% in 2018 as per WITS-TRAINS data.

Agriculture Sector tariffs are fully bound though at a higher level, but only 70.1% of the Non-Agricultural tariff lines are bound resulting in total bindings of only 74.3% (Table 2.1B). The simple average final bound tariff-total is 50.8%, Agricultural tariff 113.1% and Non-Agricultural tariff 36%. Whichever database is taken, India's MFN applied tariffs, both agricultural and non-agricultural are well below the bound rates.

Table 2.1 B: India's WTO Bound Tariffs

	Total	Agricultural	Non-Agricultural
Simple Average Final Bound	50.8	113.1	36.0
Binding Coverage	74.3	100.0	70.1
Number of Tariff lines	11,776	1,504	10,272

Source: WTO's World Tariff Profiles 2019

2.1.1.1 India's Tariff Range and Imports

The range-wise distribution of India's tariff lines and imports (Table 2.2) shows the following.

In the case of Agricultural products, under final bound tariffs, a major chunk of the tariff lines fall in the 50% to 100% range (55.5%) and above 100% range (34.1%), while for MFN applied tariffs, a major chunk of the tariff lines falls in the 25% to 50% range (78.1%) followed by the 50% to 100% range (11.8%). A major chunk of Imports in value terms fall almost equally in the 25 to 50% range (46.3%) and 50 to 100% range (43.3%).

In the case of Non-Agricultural products, under final bound tariffs, a major chunk falls in the 25% to 50% range (50.1%) followed by the 15% to 25% range (15.6%). There is also a large number of unbound tariff lines. However, in the case of MFN applied tariffs, a large chunk of tariff lines falls in the 5% to 10% range (60.6%) followed by 15% to 25% range (16.2%) and 10% to 15% range (9.2%). In terms of import values, while a major chunk of imports are in the 5% to 10 % range (48.5%), there is a substantial chunk of imports in the 0% to 5% range (27.3%) and duty-free category (10.4%) besides the 10% to 15% range (9.3%).

Thus, 4.6% tariff lines in the agricultural sector and 67.3% tariff lines in the non-agricultural sector have MFN applied tariffs equal or below 10%. The respective import shares for agricultural and non-agricultural products are 3.8% and 86.2%. In the case of non-agricultural items, import values and tariff lines are more concentrated in the lower end of the tariff range, while in the case of agricultural items, they are more concentrated in the higher end of the tariff range.

Table 2.2: Range wise Distribution of India's Tariff lines and Import Values (in percent)

Frequency distribution		Tariff lines and import values (in %)									NAV (in %)
	Year	Duty-free	0 <= 5	5 <= 10	<= 10	10 <= 15	15 <= 25	25 <= 50	50 <= 100	> 100	
Agricultural products											
Final bound		0	0	1.3	1.3	0.3	2.0	6.9	55.5	34.1	0.3
MFN applied	2018	3.1	0	1.5	4.6	1.1	2.1	78.1	11.8	2.3	0.3
Imports	2017	0.7	0	3.1	3.8	0.4	4.6	46.3	43.3	1.6	2.9
Non-agricultural products											
Final bound		2.6	0.5	0.0	3.1	0	15.6	50.1	0.3	1.0	5.7
MFN applied	2018	1.8	4.9	60.6	67.3	9.2	16.2	6.6	0.2	0.3	5.5
Imports	2017	10.4	27.3	48.5	86.2	9.3	4.2	0.2	0.0	0.1	0.3

Source: Compiled from WTO's World Tariff Profiles, 2019

Note: The shares by duty ranges in the frequency distribution are based on the pro-rata shares of tariff line level duties in the standard HS six-digit subheadings. For example, if there are two tariff lines in one HS six-digit subheading, one with a duty of 10 and one with a duty of 20, then half of the HS six-digit subheading is allocated to the 5-10 range and the other half to the 15-25 range. The frequency distribution includes AVEs whenever those were calculated. The percentages by duty ranges add up to 100 per cent for MFN applied duties unless there are non-computable AVEs or missing tariff lines for which no separate category was allocated.

2.1.1.2 India's Applied MFN Tariffs over the Years

India's tariffs on imports were very high prior to liberalization and reforms of 1991. Taking the TRAINS based WITS data (which includes data for the pre-reforms year), the simple average MFN tariff at 2 digit level was 81.8 percent in 1990 and if the auxiliary duty of 45 percent (which was later merged with Basic Customs duty (BCD) in 1993-94) is included it crosses the 100 way mark (Table 2.3, Fig. 2.1A). In 1990, the average weighted MFN Tariff at 49.6 percent though high was much lower than the simple average MFN tariff.

Table 2.3: India's Tariff over the years (1990 to 2018)

India's Tariffs	1990	1992	1996	1997	2000	2003	2004	2005	2006	2008	2010	2012	2015	2016	2017	2018
MFN-Simple Average																
All digit at 2 digit level	81.8	56.3	38.7	30.1	33.2	26.5	29.1	18.3	16.6	12.2	11.9	13.3	13.2	13.4	13.6	13.5
WTO HS Agricultural	83.0	48.9	38.1	30.2	38.4	36.9	37.4	37.6	34.2	32.1	31.5	33.5	32.8	32.8	32.6	33.0
WTO HS Industrial	81.7	57.5	38.8	30.1	32.4	24.8	27.9	15.4	13.9	9.2	8.8	9.8	9.7	10.0	10.0	10.1
MFN - Weighted Average																
All digit at 2 digit level	49.6	27.9	23.6	20.1	23.3	21.4	23.0	14.0	9.0	6.3	7.3	6.3	7.5	7.5	6.8	6.0
WTO HS Agricultural	50.2	27.4	33.1	23.2	32.8	58.7	61.2	55.3	42.7	15.3	45.3	47.7	41.1	28.4	26.9	24.5
WTO HS Industrial	69.0	40.2	26.6	21.9	29.2	22.1	25.0	13.1	8.9	6.1	6.0	7.0	6.9	7.5	6.9	6.8
AHS Simple Average																
All digit at 2 digit level	78.9	57.0	36.9	28.9	32.3	25.4	28.4	16.1	13.7	9.4	8.3	10.1	9.8	8.6	8.5	8.7
WTO HS Agricultural	73.3	57.4	42.7	35.0	36.8	37.1	38.8	38.7	34.0	30.9	30.7	35.9	34.1	30.7	30.7	31.0
WTO HS Industrial	79.3	57.1	36.6	28.6	32.1	24.6	27.7	14.6	12.4	8.1	6.9	8.5	8.3	7.2	7.2	7.3
AHS Weighted Average																
All digit at 2 digit level	49.6	27.9	23.6	20.1	23.3	21.4	22.9	13.9	9.0	6.1	6.1	6.3	7.3	6.3	5.8	4.9
WTO HS Agricultural	50.2	27.4	33.1	23.2	32.8	58.7	61.0	53.4	42.7	14.2	34.0	47.7	39.7	23.5	22.7	18.9
WTO HS Industrial	69.0	40.2	26.6	21.9	29.2	22.1	25.0	12.9	8.9	5.9	5.5	7.0	6.8	6.3	5.8	5.6
MFN minus AHS-Weighted																
All digit at 2 digit level	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.1	1.3	0.0	0.2	1.2	1.1	1.1
WTO HS Agricultural	0.0	0.0	0.0	0.0	0.0	0.0	0.2	1.9	0.0	1.1	11.2	0.0	1.4	4.9	4.2	5.6
WTO HS Industrial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.6	0.0	0.1	1.2	1.1	1.2
Realised Tariffs- Basic (Ratio of Basic Custom Duty to Imports)											2.8	1.8	2.4	2.5	2.7	3.2
Realised Tariffs- Total (Ratio of Total Customs Revenues To Imports)	47.5	36.4	29.3	22.6	15.8	10.0	11.5	9.8	10.3	7.3	8.1	6.2	8.4	8.7	4.3	3.3

<i>AHS simple Average minus Realised Tariffs - Basic</i>	78.9	57.0	36.9	28.9	32.3	25.4	28.4	16.1	13.7	9.4	5.5	8.4	7.4	6.0	5.8	5.5
<i>AHS simple Average minus Realised Tariffs - Total</i>	31.4	20.6	7.5	6.3	16.5	15.3	16.9	6.2	3.4	2.1	0.2	3.9	1.3	-0.2	4.2	5.4
<i>AHS weighted Average minus Realised Tariffs - Basic</i>	49.6	27.9	23.6	20.1	23.3	21.4	22.9	13.9	9.0	6.1	3.3	4.5	4.9	3.8	3.1	1.7
<i>AHS weighted Average minus Realised Tariffs - Total</i>	2.1	-8.6	-5.8	-2.5	7.4	11.4	11.5	4.0	-1.3	-1.2	-2.1	0.1	-1.1	-2.4	1.5	1.6

Source: Compiled from WITS-TRAINS based data and DOR data.

Note: Realized Tariffs both Basic and Total are for financial years (e.g. 2018 means 2018-2019). All other indicators are for calendar years.

Figure 2.1A: India's Total Tariffs over the Years-TRAINS based WITS data (Percent)

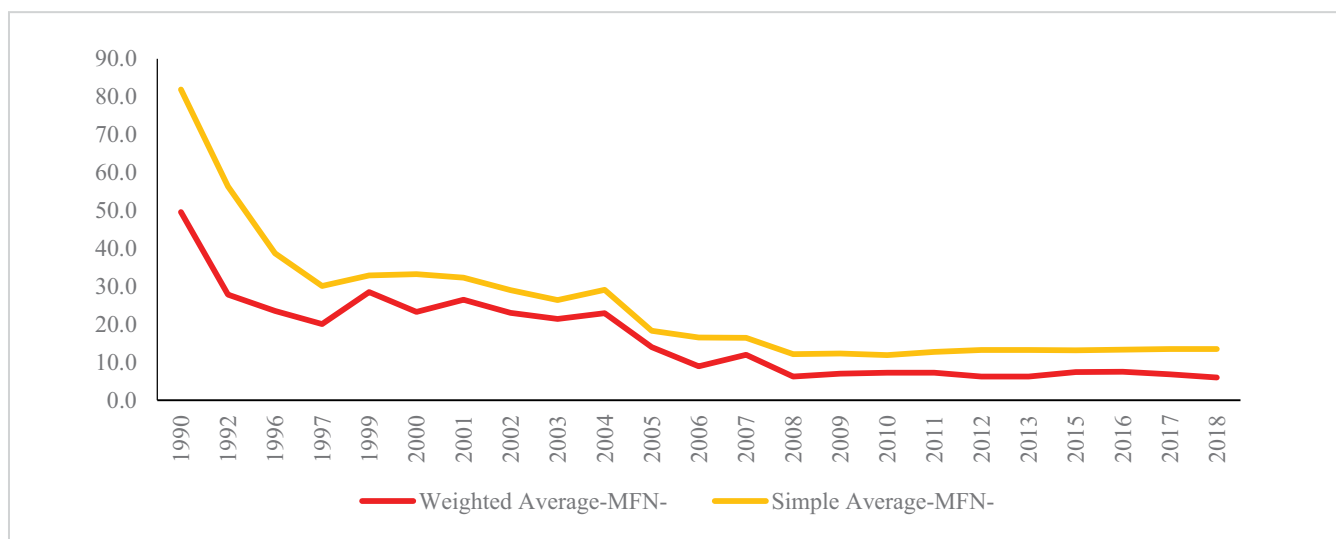


Figure 2.1B: India's Agricultural Tariff over the Years-TRAINS based WITS data (Percent)

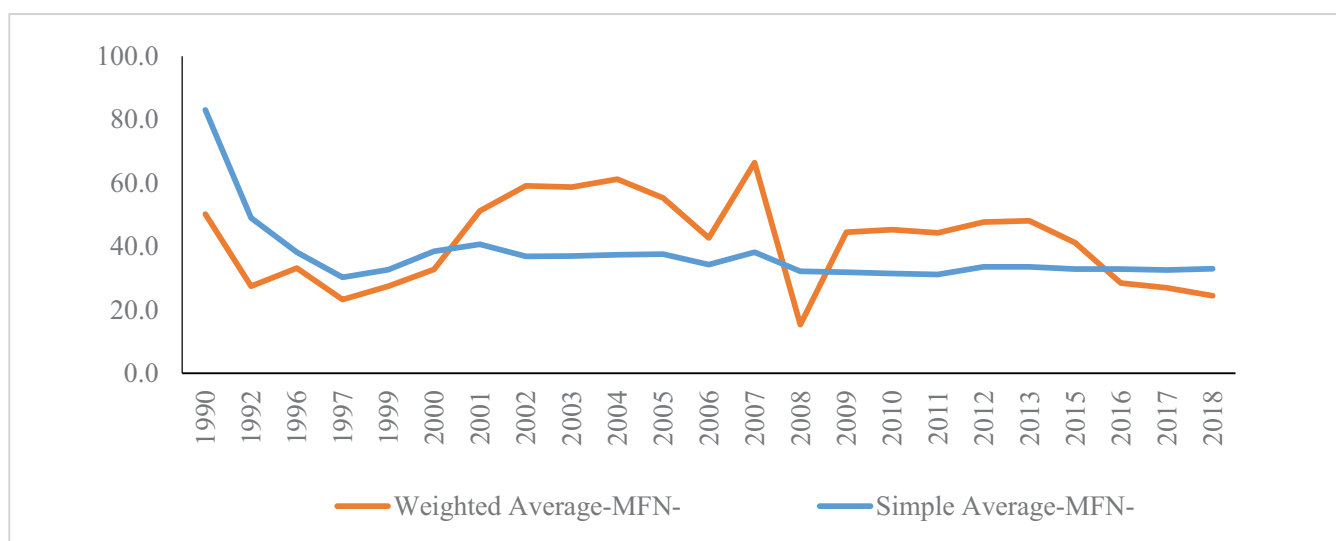
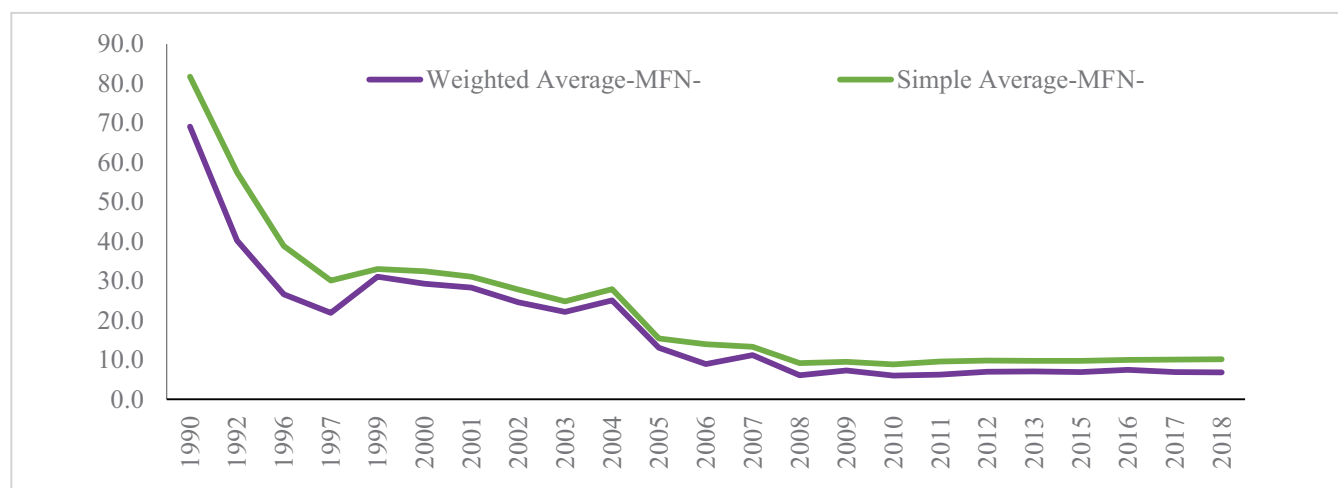


Figure 2.1C: India's Industrial Tariff over the Years-TRAINS based WITS data (Percent)



Both simple and weighted average tariffs have fallen over the years except for some intermittent ups and downs. Simple average tariffs in 2018 is at 13.5%, while weighted average tariff which has been in single digits since 2008 was at 6.0 percent in 2018. The average MFN Industrial tariff both simple and weighted were almost at the same level as the average MFN Agricultural tariff or even higher in 1990 and 1992. Simple Average Industrial tariff which had started falling became lower than simple average agricultural tariff since 1997 turning to single digits since 2008 and remaining at around 10 percent from 2016 to 2018. Weighted average MFN industrial tariff also followed a similar pattern, but was lower than the simple average MFN industrial tariff and was at 6.8 percent in 2018 (Figure 2.1C). Agricultural tariffs continued to be high at 33 percent in the case of the simple average MFN tariff and 24.5 percent in terms of weighted average MFN tariff in 2018 (Figure 2.1B).

WITS-WTO data also shows similar results (Annexure 1) except mainly for the year 2018 when simple average MFN tariffs were 17.2%, simple average MFN industrial tariffs 13.6% and simple average MFN agricultural tariffs 38.8% compared to 13.5%, 10.1% and 33.0% respectively as per WITS-TRAINS data.

Thus, as per the WITS-WTO Tariff data, there is a sudden increase in MFN tariff (simple average) to 17.2 % in 2018 from 13.5% in 2017 which is due to the sudden increase in both agricultural and industrial MFN tariff (simple average). Weighted Average MFN tariffs for 2017 and 2018 are not available at present in WITS-WTO data.

Thus, both simple and weighted MFN Tariff show a steady decline except for some ups and downs. While MFN applied agricultural tariff, (both simple and weighted) continued to be high, MFN applied industrial tariff (both simple and weighted) have registered steady declines.

One thing to be noted here is the relatively lower weighted average MFN tariff compared to the simple average MFN tariff over the years particularly for Total and Industrial tariffs and for Agricultural tariffs in the last 3 years. This indicates that India's imports of high tariff items are lower which could also imply that high tariffs could have lowered imports of such items. However, simple average and weighted average agricultural tariffs have criss-crossed each

other many times reflecting the changes in importance in imports of high vs low tariff items.

So, for any analysis, both weighted average MFN applied tariffs and simple average MFN applied tariffs should be considered. This has been done wherever needed in this and following Chapters.

2.1.2. Total Duties

In usual tariff analysis only applied tariffs are used which includes only basic customs duty (BCD). But, in reality, the importer has to pay many other additional taxes/duties besides BCD. Earlier total duties included components like Special Additional Duties (SAD), Countervailing Duty (CVD), Education Cess, etc. Now SAD and CVD have been merged with IGST.

Thus now, total duty includes BCD, IGST and Social Welfare Surcharge (SWS). Budget 2018 has also introduced the SWS replacing customs education cess and secondary education cess and SWS is capped at a rate of maximum 10% on import of goods. Anti-dumping and safeguard duties, if any, also have to be added.

Total duty is not given in many of the international databases. So, we have used the Customs Tariff Database (CUSTADA) of the Academy of Business Studies. The basic duties (schedule) wherever updated for notifications have been taken. Those tariff lines having both total and basic duty figures are considered and simple average, code-wise at 2 digit level is taken first. Then the average of the code wise averages is taken for computing total duties and for agricultural and non-agricultural items separately. As can be seen in Table 2.4, the total duty to be paid for imports is much higher than the basic customs duty. Total duty is always higher than BCD reflecting the inclusion of IGST and SWS. From the CUSTADA database total duties could not be calculated for those items where specific duties are there; items with 0/5 IGST, that is, in a container or brand name; and items where IGST for a single code has two duty rates like IGST on sale value not exceeding ₹1000 being 5% and exceeding ₹1000 being 12%. Given the above facts, the Values of total duties should be taken only as indicative. Despite these constraints, the results are revealing. For many items, the total duties are more than 10% higher and in many cases double the basic duty. The former is indicated by orange colour and the latter by red colour in Table 2.4. For most of the non-agricultural items, the total duties are double or more than double the basic customs duty, while for most of the agricultural items, total duties are 10% or more than 10%. This is mainly due to IGST and 10% SWS.

Table 2.4: India's Total Import Duty: Sector-Wise (2019-20)

2HS code	Product Name	No. of Tariff lines	Basic Duty -Simple Average	IGST	Total duty with SWS -Simple Average	Basic duty: Range	IGST: Range	Total Duty: Range	Total Duty above Basic Duty by 10 or above percentage points	Total Duty double or above double Basic Duty
01	Live Animals	44	30.0	0.8	34.1	30-30	0-12	33-49		
02	Meat and Edible Meat Offal	3	30.0	0.0	33.0	30-30	0-0	33-33		
03	Fish and Crustaceans, Molluscs, etc	135	30.0	1.0	34.3	30-30	0-5	33-40		

04	Dairy Produce Birds' Eggs; Natural Honey; Edible Products	42	33.8	6.2	44.7	30-60	0-12	33-68	10.9	
05	Products of Animal Origin, etc	61	30.0	3.3	36.8	30-30	0-5	5-40		
06	Live Trees and other Plants; Cut Flowers, etc	24	23.1	0.0	25.4	5-60	0-0	6-66		
07	Vegetable seeds; Edible Vegetables, etc	66	31.1	0.0	32.6	30-100	0-0	0-100		
08	Edible Fruit and Nuts; etc.	68	34.2	2.7	41.0	2.5-100	0-12	8-121		
09	Coffee, Tea, Mate and Spices	138	61.8	4.3	73.6	30-100	0-5	33-121	11.9	
11	Products of the Milling Industry; etc	17	33.5	9.1	49.5	30-50	0-18	33-74	15.9	
12	Oil Seeds and Oleaginous Fruits; etc Miscellaneous Grains, etc	39	21.3	0.5	24.1	5-70	0-5	6-86		
13	Lac; Gums, Resins, etc	47	24.6	11.1	40.8	5-30	5-18	11-57	16.3	
14	Vegetable Plaiting Materials; etc	14	30.0	6.1	41.2	30-30	0-18	33-57	11.2	
15	Animals or Vegetable Fats and Oils etc	116	36.8	7.8	51.0	7.5-80	5-18	14-97	14.2	
16	Preparations of Meat, or Fish, Crustaceans, etc	47	33.0	12.0	52.6	30-100	12-12	49-135	19.7	
17	Sugars and Sugar Confectionery	41	45.1	15.1	70.2	10-100	0-28	40-135	25.0	
18	Cocoa and Cocoa Preparations	15	30.0	14.5	52.3	30-30	5-18	40-57	22.3	
19	Preparations of Cereals, Flour, Starch or Milk; etc	32	31.3	14.2	53.5	30-50	0-18	33-83	22.2	
20	Preparations of Vegetables, Fruit, Nuts, etc	72	34.4	12.0	54.4	30-50	12-12	49-74	20.0	
21	Miscellaneous Edible Preparations	41	62.4	15.8	96.2	30-150	12-28	49-239	33.8	
22	Beverages, Spirits and Vinegar	15	30.0	16.3	54.7	30-30	0-28	33-70	24.7	
23	Residues and Waste from the Food Industry Industries; etc	34	21.8	3.1	26.7	5-30	0-5	5-40		
24	Tobacco and Manufactures; etc	44	31.4	23.8	66.6	30-60	5-28	40-112	35.2	2.1
25	Salt; Sulphur; Earths and Stone; etc	174	6.3	6.6	13.7	2.5-40	0-28	6-65		2.2
26	Ores, Slag and Ash	72	3.1	7.7	11.4	2.5-5	5-18	8-24		3.7
27	Mineral Fuels, Mineral Oils and Products; etc	65	5.3	13.8	20.5	2.5-10	5-18	8-31	15.2	3.9
28	Inorganic Chemicals; etc	324	7.5	17.7	27.4	2.5-10	5-18	11-31	19.9	3.7
29	Organic Chemicals	835	7.1	18.0	27.2	2-20	18-18	18-44	20.1	3.8
30	Pharmaceutical Products	224	9.9	11.2	23.3	0-10	0-12	0-24	13.5	2.4
31	Fertilisers	26	6.2	5.0	11.9	0-7.5	5-5	5-14		

32	Tanning or Dyeing Extracts; etc	337	7.9	17.6	27.8	2.5-10	5-18	8-31	19.9	3.5
33	Essential Oils and Resinoids; etc	123	19.4	17.8	43.0	10-20	0-18	22-44	23.5	2.2
34	Soap, Organic Surface-Active Agents, etc	58	10.3	17.8	31.2	7.5-25	12-18	28-43	20.8	3.0
35	Albuminoidal Substances; etc	38	13.8	18.0	36.1	10-20	18-18	31-44	22.3	2.6
36	Explosives; Pyrotechnic Products; etc	25	10.0	17.5	30.4	10-10	5-18	17-31	20.4	3.0
37	Photographic or Cinematographic Goods	59	9.9	17.7	30.5	5-10	12-18	24-31	20.6	3.1
38	Miscellaneous Chemical Products	186	8.6	17.5	28.5	0-30	0-18	11-57	20.0	3.3
39	Plastics and Articles thereof	413	10.0	17.3	30.2	7.5-15	0-18	14-37	20.2	3.0
40	Rubber and Articles thereof	166	11.5	16.9	31.4	3-70	0-28	0-86	19.9	2.7
41	Raw Hides and Skins (Other than Furskins), etc	30	10.0	5.0	16.6	10-10	5-5	17-17		
42	Articles of Leather; etc	62	13.9	17.9	35.9	10-30	12-18	24-57	22.0	2.6
43	Furskins and Artificial Fur; etc	21	11.0	18.0	23.6	10-15	18-18	18-31	12.6	2.2
44	Wood and Articles of Wood; etc	225	8.7	15.9	27.0	5-10	0-18	6-31	18.3	3.1
45	Cork and Articles of Cork	10	10.0	11.9	24.2	10-10	5-18	17-31	14.2	2.4
46	Manufactures of Straw, etc	13	10.0	5.0	16.6	10-10	5-5	17-17		
47	Pulp of Wood; etc	21	6.0	10.7	15.7	5-10	5-12	5-18		2.6
48	Paper and Paperboard, etc	214	10.0	14.2	26.8	10-20	5-18	17-44	16.7	2.7
49	Printed Books, Newspapers, etc	25	9.8	9.3	21.1	5-10	0-12	6-24	11.3	2.2
50	Silk	29	13.3	3.4	18.5	10-30	0-5	11-33		
51	Wool, etc	105	9.3	4.2	14.3	2.5-10	0-5	3-17		
52	Cotton	426	14.1	5.0	19.8	10-30	5-5	5-40		
53	Other Vegetable Textile Fibres; etc	64	13.2	4.8	17.8	5-30	0-5	5-40		
54	Man-made Filaments	243	20.1	7.1	29.4	10-25	5-12	16-37		
55	Man – made Staple Fibres	202	20.2	8.9	32.2	10-25	5-18	16-50	12.0	
56	Wadding, Felt and Nonwovens; etc	51	11.2	10.9	24.5	10-20	5-18	17-37	13.4	2.2
57	Carpets and Other Textile Floor Coverings	71	17.9	11.5	32.7	10-20	5-12	23-37	14.9	
58	Special Woven Fabrics; etc	80	12.0	9.4	23.1	10-25	5-12	16-40	11.1	
59	Impregnated, Coated, Covered Textile Fabricst To Laminat Textile Fabrics; etc	68	12.9	12.0	27.9	10-20	12-12	24-37	15.0	2.2
60	Knitted or Crocheted Fabrics	47	16.2	5.0	23.6	10-25	5-5	17-34		
63	Other Made Up Textile Articles; etc	1	10.0	5.0	16.6	10-10	5-5	17-17		

64	Footwear, Gaiters and the Like; Parts of such Articles	69	23.3	18.0	48.2	15-25	18-18	37-50	24.9	2.1
65	Headgear and Parts Thereof	14	10.0	18.0	31.0	10-10	18-18	31-31	21.0	3.1
66	Umbrellas, Sun Umbrellas, etc	6	10.0	12.0	24.3	10-10	12-12	24-24	14.3	2.4
67	Prepared Feathers, etc	15	10.0	16.0	28.8	10-10	0-18	11-31	18.8	2.9
68	Articles of Stone, Plaster, Cement, etc	90	12.3	17.9	34.2	7.5-40	5-18	17-70	21.9	2.8
69	Ceramic Products	63	9.4	15.9	27.8	7.5-15	0-18	11-37	18.4	3.0
70	Glass and Glassware	105	10.2	17.0	30.1	10-15	0-18	11-37	19.9	3.0
71	Natural or Cultured Pearls, etc	88	13.5	2.5	17.6	2.5-20	0-3	6-26		
72	Iron and Steel	509	9.7	18.0	30.6	2.5-12.5	18-18	21-34	20.9	3.1
73	Articles of Iron or Steel	257	10.1	17.7	30.8	10-25	12-18	24-50	20.7	3.0
74	Copper and Articles thereof	96	6.6	17.6	26.0	2.5-10	12-18	21-31	19.5	4.0
75	Nickel and articles thereof	27	5.0	18.0	18.0	5-5	18-18	18-18	13.0	3.6
76	Aluminium and articles thereof	97	8.6	17.6	28.8	2.5-10	12-18	21-31	20.2	3.3
78	Lead and Articles thereof	17	6.2	18.0	26.0	5-10	18-18	24-31	19.8	4.2
79	Zinc and Articles thereof	21	5.7	18.0	25.4	5-10	18-18	24-31	19.7	4.4
80	Tin and Articles Thereof	11	5.9	18.0	25.7	5-10	18-18	24-31	19.8	4.3
81	Other Base Metals; etc	69	6.4	18.0	26.3	2.5-10	18-18	21-31	19.9	4.1
82	Tools, Implements, Cutlery, etc	98	10.0	16.1	28.9	10-10	0-18	11-31	18.9	2.9
83	Miscellaneous Articles of Base Metal	62	11.1	17.2	31.6	10-15	12-18	24-37	20.5	2.8
84	Nuclear Reactors, Boilers, Machinery, etc	1070	7.5	18.1	27.8	0-20	5-28	14-56	20.3	3.7
85	Electrical Machinery and Equipment and Parts, etc	542	9.0	18.5	30.3	0-20	12-28	12-56	21.3	3.4
86	Railway or tramway locomotives, etc	41	10.0	5.3	16.9	10-10	5-18	17-31		
87	Vehicles other than Railway or Tramways, etc. Rolling-stock, etc	221	60.3	24.4	107.0	10-125	5-28	17-204	46.7	
88	Aircraft, Spacecraft, etc	12	9.4	15.4	27.4	2.5-10	0-18	8-31	18.0	2.9
89	Ships, Boats, etc	25	12.7	10.1	24.7	2.5-25	5-28	5-63	12.0	
90	Optical, photographic, apparatus, etc.	256	7.5	16.2	25.7	0-20	12-18	18-44	18.3	3.4
91	Clocks and Watches, etc	67	13.7	17.9	35.8	5-20	13-18	24-44	22.1	2.6
92	Musical Instruments Parts, etc	19	10.0	18.0	31.0	10-10	18-18	31-31	21.0	3.1
93	Arms and Ammunition; etc	20	10.0	18.5	31.5	10-10	18-28	31-42	21.5	3.2
94	Furniture; Bedding, Mattresses, etc	45	17.3	16.0	38.1	10-20	5-18	28-44	20.8	2.2
95	Toys, Games and Sports Requisites; etc	53	19.6	14.2	38.8	10-20	5-18	28-44	19.2	

96	Miscellaneous Manufactured Articles	96	10.9	15.6	29.5	10-20	0-28	11-44	18.6	2.7
97	Works of Art, etc	14	10.0	12.0	24.3	10-10	12-12	24-24	14.3	2.4
98	Project Goods; Some Special Uses.	14	22.5	17.4	46.2	5-200	0-28	24-278	23.7	2.1
02 to 24	Agricultural items	1155	33.45	7.82	47.36	2.5-150	0-28	0-239	13.9	
25 to 97	Non Agricultural items	9342	11.56	13.84	28.00	0-200	0-28	0-278	16.4	2.4
	Total	10497	16.92	12.36	32.74	0-200	0-28	0-278	15.8	

Source: Computed from tariff data extracted from <http://custada.in/>.

Note: Those tariff lines are excluded whose BCD and Total duty figures are not given in the database.

Thus, if total duties are considered, India's tariffs are very high for many items and indicate that India's tariffs are higher than what is reflected in average MFN duties including only BCD. Nevertheless, the absolute numbers should be used only to gauge the general trend.

However, it needs to be noted that for IGST paid, Input Tax Credit (ITC) can be claimed and the ITC could be used to pay taxes such as CGST/SGST/IGST. However, the importer cannot get credit for BCD and SWS. Thus, it is mainly SWS which is an additional burden besides the rigmarole of paying IGST and then claiming credit for it. High IGST on imports of consumer goods can be more protective if the importer is a final user and cannot claim ITC.

While other countries also have GST/VAT/Sales Tax on their imports besides customs duties, the difference is in rates. While generally, it is in the range of 10%-20% and comparable to India's (5%, 12%, 18%, 28%) averaging around 15.8%, in many Gulf countries it is zero percent and in important trading partners of India it is low as in Singapore (7%), Indonesia (10%), Australia (10%), Japan (8%), Thailand (7%), USA (2.9%-7.25%).

2.1.3 Effectively Applied Tariffs over the years

The effectively applied tariff is defined as the lowest available tariff. If a preferential tariff exists it is used as effectively applied tariffs, otherwise the MFN applied tariff is used. Thus, as can be seen from Table 2.3 in 2018, while India's simple average MFN applied tariff is 13.5%, its simple average effectively applied tariff is just 8.7%. The weighted average effectively Applied Tariffs (AHS) is still lower than simple average effectively applied tariff and at 4.9% in 2018. The difference between the weighted average MFN and AHS is relatively higher for Agricultural items. **Weighted average effectively applied tariff for the Agricultural sector is 18.9% in 2018 compared to the 24.5% weighted average MFN applied tariff. Effective tariff (weighted) for the industrial sector is just 5.6%. Thus, due to the different Preferential arrangements, India's tariffs are much lower than they are believed to be as reflected in the Effective tariffs.**

2.1.4 Realized Tariffs over the years

Another indicator of tariffs is Realized Tariffs. The ratio of customs revenue collections to Imports gives the Realized tariffs. This covers all exemptions under FTAs and different schemes of the Government, etc. (See Box 2.1)

Box 2.1 Revenue Impact of Tax Incentives for Customs Duty

Customs duty on goods is levied under the Customs Act, 1962 at rates specified in the First Schedule to the Customs Tariff Act, 1975 (commonly referred to as basic customs duty - BCD). These rates, specified against individual tariff lines in the Customs Tariff Act, 1975, are commonly known as "tariff rates". Further, the Customs Act, 1962 or the Finance Acts concerned delegates powers to the Central Government [under Section 25(1) of the Customs Act, 1962, which is also made applicable to duties levied under various Finance Acts] to prescribe duty rates lower than the Tariff rates, through notifications. The rates, prescribed through such exemption notifications, are referred to as "effective rates".

Exemption notifications issued by the Government can be broadly classified into two types:- Conditional exemption notifications; and Unconditional exemption notifications.

Unconditional exemptions prescribe general effective rates of duty for a commodity. This rate applies to all imports of that commodity, without any conditions. In other words, such unconditional exemptions in effect prescribe the MFN rate for a commodity.

India has entered into Free Trade Agreements, Comprehensive Economic Partnership Agreements, Comprehensive Economic Co-operation Agreements with a number of countries or group of countries. Similarly, India is also a signatory to the Information Technology Agreement-I. Under this agreement, India has bound itself for a lower rate/exemption on the specified goods as covered under such agreement. These preferential tariffs are also prescribed through notifications issued under section 25 of the Customs Tariff Act, 1962. **Such preferential tariffs extended as part of sovereign commitments, are also general applicable rate for imports covered by such agreements.**

Conditional exemptions prescribe effective rates under certain specific circumstances, as against the higher tariff rate or the MFN rate. Such conditional notifications are for specified purposes, for example, to promote domestic manufacturing, defence procurements, etc. In such cases, only those imports, which fulfill conditions prescribed for such rates, are eligible for such effective rates. As such, these exemptions result in revenue foregone vis-à-vis the relevant tariff/ MFN rate.

Certain exemptions have been provided for the procurement of raw materials and inputs that go into the export goods. As such, these exemptions only provide for tax neutralization to exports for zero rating of exports. These concessions, being aimed at zero rating of exports, do not result in revenue foregone on account of BCD concessions. However, concessions granted by way of export linked incentive schemes, in which incentives at the prescribed rate (perc cent of export value) is provided to exporters by way of duty scrips results in revenue foregone as the duty credit available by way of these scrips is set off against the BCD payable on imports.

Since the unconditional exemptions and exemptions extended towards sovereign commitments in effect prescribe MFN rates (effective rate) for the commodity concerned, a more appropriate estimation of the revenue impact of tax concessions

would be the revenue foregone on account of conditional exemptions only. Further, revenue foregone on account of export linked incentives are also included in the final estimation of Revenue Foregone on account of Basic Customs Duty concessions.

The estimate of total revenue impact under various exemption notifications is based on the data generated from the Bills of Entry filed by the importers in the Indian Customs Electronic Data Interchange System (ICES) at various Electronic Data Interchange (EDI) locations. Extrapolation has been made to arrive at revenue foregone on account of imports not captured in ICES, which constitute about 7% of total imports. Based on the above-stated methodology, the revenue impact of tax concessions on the customs side for the year 2018-19 and 2019-20 (Estimated) is given in Table 1.

Table 1: Revenue Impact of Tax Concessions on account of Basic Customs Duty

Name of the Scheme	Formula	Revenue Impact (2018-19)	Revenue Impact (2019-20) (Estimated)
A. On account of BCD collection at different rates less than Tariff rate as per EDI data	-	210719	219859
B. On account of unconditional/technical BCD exemptions as per EDI data	-	129622	122737
C. On account of FTA/PTA/CECA/CEPA as per EDI data	-	48793	65734
D. On account of conditional BCD exemptions- EDI locations	-	32304	31388
E. Revenue foregone of Conditional BCD exemptions.	$D \times 100 / f^*$	34735	33750
F. Revenue impact on account of input tax neutralization scheme	-	24702	24840
G. Revenue impact on account of export linked incentive schemes	-	41018	48220
H. Net Duty Foregone	E+G	75753	81970

Source: GOI: Receipt Budget 2020-2021

While the customs (BCD) revenue foregone in 2018-19 on account of conditional BCD exemptions (Rs. 34375 crore) and export linked incentive schemes (Rs. 41018 crore) totals to Rs. 75,753 crores, the unconditional exemptions are an additional Rs. 1,29,622 crore of which FTA/RTA exemptions is Rs. 48,793 crore. However, for computing Realized Tariffs we are concerned with only the customs revenue collections as a percentage of total imports which is obtained after all types of exemptions are deducted and thus does not distinguish between the type of exemptions.

Here there are two indicators Realized Tariffs (Basic) given by the ratio of Basic customs revenue to imports and Realized Tariffs (Total) given by the ratio of Total Customs Revenue to imports. Realized Tariffs (Basic) covers only BCD collections while Realized Tariffs (Total) covers other collections as well. Realized Tariffs (Basic) is comparable with all the other indicators of tariffs which also reflect Basic customs duty.

Realized Tariffs (Basic) is much lower than even the Effectively Applied Tariffs (AHS) as can

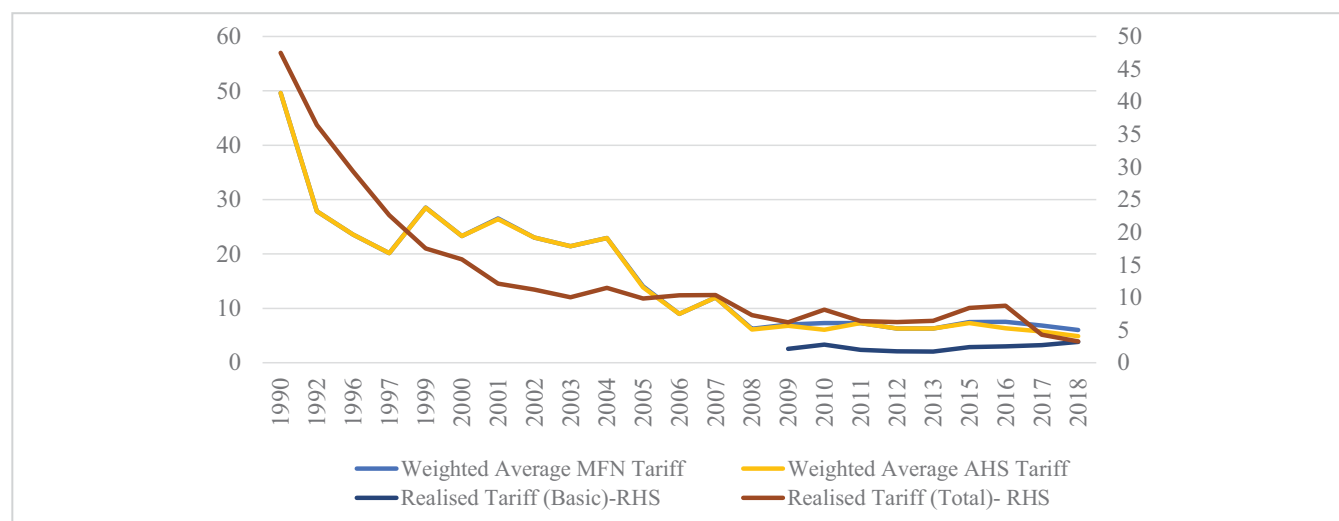
be seen in Table 2.3. In 2018 realized tariff (BCD) was 3.2 per cent compared to the weighted average Effectively Applied Tariffs (AHS) of 4.9 percent, simple average AHS of 8.7(13.5) percent and much lower than the weighted average MFN tariffs of 6 percent and Simple Average MFN Tariffs of 13.5 (17.2%) (Figures in parenthesis gives the indicator using WITS-WTO data and figures outside are from WITS-TRAINS data). In 2018 even the Realized Tariffs (Total) of 3.3 percent is lower than the other indicators mentioned above. As can be seen in Table 2.3, there is, in fact, a difference of 5.5 percentage points between AHS simple average and Realized Tariffs (BCD), 1.7 percentage points difference between AHS weighted average and Realized Tariffs (BCD) in 2018. The exemptions to FTAs/RTAs, conditional BCD exemptions and export linked incentive schemes particularly Merchandise Exports from India Scheme (MEIS) have contributed greatly to the low Realized Tariffs (Basic).

A similar indicator for the US giving the percentage share of total customs duty collected to total imports is 1.6% in 2018 and 1.4% in 2017. Thus, India's Realized Tariffs are not much higher than that of the US. However, the US Realized Tariffs is only slightly lower than its average weighted MFN tariff of 2.3% in 2017, while India's is not. Here policy issues arise.

2.1.5 India's Different Types of Tariffs : A Sum-up

The movement of India's import tariffs over the years as per different terminologies can be seen in the following figures. Figure 2.2A gives the major indicators for total imports while Figure 2.2B gives for agricultural and non-agricultural sectors. As can be seen from the Figure 2.2A, India's average weighted MFN tariff-total shows a falling trend over the years and overlaps average weighted Effective Tariffs (AHS) till 2015 after which there is a slight divergence with Effective tariffs being lower than MFN Tariffs clearly indicating the Tariff concessions to FTAs/RTAs. Realized Tariffs (Total) though falling and always lower than simple average MFN tariff and also simple average Effective Tariff except for one year, has criss-crossed or been in tandem with weighted average MFN tariff and weighted average Effective tariff for many years. However, in 2018 it is lower than all the above-mentioned indicators. Realized Tariff (basic) for which data are available only since 2010 has the lowest rate ranging from 1.8% to 3.2 % over the years. In 2018 it was 3.2%.

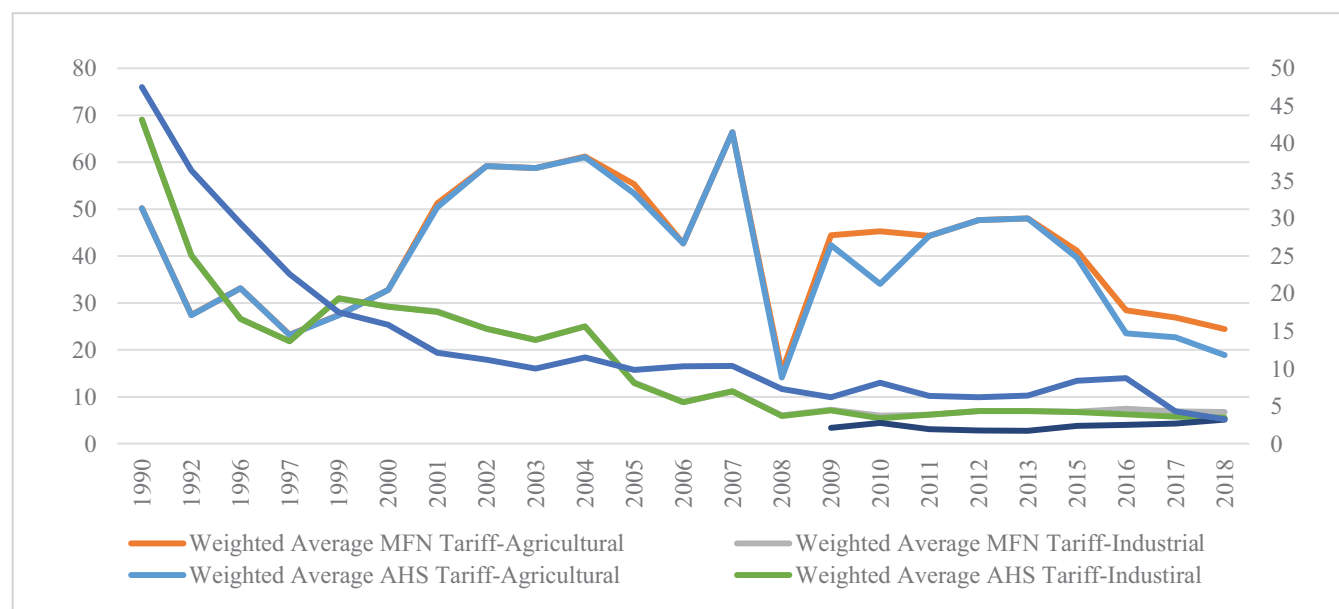
Figure 2.2 A: India's Tariffs as per Different Terminologies 1990-2018 (Percent)



Source: WITS-TRAINS data and Department of Revenue, Govt. of India (for Realized Tariffs)

Figure 2.2B shows that average weighted MFN Agricultural tariffs and Average Weighted AHS Agricultural Tariffs are moving together and almost overlapping except in 2010 when Effective Tariffs (AHS) fell suddenly possibly showing the impact of SAFTA and ASEAN (where Agricultural items are important in Tariff concessions) and after 2015, showing the effect of new FTAs with Japan, Korea, Malaysia along with earlier FTAs. In the case of Industrial Tariffs, both MFN and AHS are overlapping each other and showing a smooth downward trend. Only in recent years after 2015, Effective Tariffs are slightly lower showing the effect of new FTAs like Japan, Korea along with Singapore where Industrial Tariffs have been lowered. One thing to be observed is that the Industrial Tariffs have been falling all along and is much lower than Agricultural Tariffs as per all the indicators.

Figure 2.2 B: India's Industrial and Agricultural Tariffs as per different terminologies 1990-2018 (Percent)



Source: WITS-TRAINS data.

It is to be noted that for many items already under RTAs/FTAs duties have been lowered. In fact, the Effective Tariffs (AHS) for many items with MFN tariffs at and above 10% is low and even below 10% due to preferential tariffs, etc. In most of the FTAs/RTAs, the share of preferential imports in total imports from that FTA/RTA by India is very high at above 80%-90%. Thus, for a majority of the items already preferential tariffs apply for the FTA/RTA countries and if MFN tariffs can be lowered to or near the effective tariffs levels, India's MFN tariffs for majority of non-agricultural items will be below 10%. Infact, the share of total preferential imports of India to total imports is 17% in 2018. Thus, there is scope for rationalizing tariffs at least near the AHS tariffs.

The above analysis indicates that India's tariffs on imports are much lower than they appear to be. This has important implications for policy-making. Due to Preferential tariffs and various concessions and rebates under the different schemes, Effectively applied tariffs and Realized tariffs are much lower. While India's current applied tariffs are well below the WTO bound tariffs, there is much scope for reducing the tariffs as indicated by the effectively applied average tariffs and also by the realized tariffs based on customs revenue collection. This can also give India an extra mileage in trade negotiations.

2.2 Import Tariffs on India's Exports in Major Markets of India

The top 5 destinations of India's exports of Agricultural items are EU, US, UAE, Saudi Arabia and Nepal; and of Non-Agricultural items are USA, EU, Hong Kong, UAE & China.

Among the Top 5 destinations of India's Agricultural Exports, ironically, India faces the highest MFN tariffs both simple and weighted in its FTA partner country - Nepal (Table 2.5). Also, ironically, tariffs both simple and weighted, for India's Agricultural exports are the lowest in the US market (among the top 5 destinations) for which country, India has levied retaliatory tariffs for many Agricultural items. European Union has the second-highest simple average MFN tariffs among the Top 5, though weighted tariff is relatively low. Preference margin (weighted) which is the difference between the duty paid on an MFN basis and duty paid under a preferential system, is also relatively higher in EU than other markets in the top 5. **India also benefits from substantial duty-free imports in 70.8% of Tariff lines covering 79.8% of imports of the US from India. The Withdrawal of GSP by the US in June 2019 could have altered these numbers (The impact of GST withdrawal by the US is analyzed in Chapter 3). In UAE, Saudi Arabia and also EU Markets, India benefits from high duty-free imports in terms of share of imports only, while in terms of Tariff lines such concessions are relatively less.**

Table 2.5 : India's Exports to Major Trading Partners and Duties faced

	Bilateral imports		MFN Average of traded TL		Preferential Margin Weighted	Duty-free imports	
Major markets	Year	in million US\$	Simple	Weighted		TL (in %)	Value (in %)
Agricultural products							
1. European Union	2017	3756	13.6	4.7	1.7	21.6	58.2
2. United States of America	2017	2587	5.1	1.3	0.7	70.8	79.8
3. United Arab Emirates	2016	1849	6.4	4.9	0.0	26.7	67.5
4. Saudi Arabia	2017	1518	8.3	5.0	0.0	22.9	70.3
5. Nepal	2017	1036	13.8	12.0	1.4	1.9	0.2
Non-agricultural products							
1. United States of America	2017	44963	4.1	2.9	0.5	69.7	69.4
2. European Union	2017	43557	4.7	4.4	1.4	49.9	52.7
3. Hong Kong, China	2017	18486	0.0	0.0	0.0	100	100
4. United Arab Emirates	2016	16820	4.6	2.9	0.0	7.2	42.8
5. China	2017	15453	8.8	4.7	1.7	7.7	33.7

Source: WTO's World Tariff Profiles, 2019. Note : TL=Tariff Lines

In the case of Non-agricultural products among the top 5 markets, India faces the highest simple average tariff and weighted tariff in the Chinese market followed by the EU. The preference margin is also relatively high in China. The coverage of duty-free imports are, however, less at 7.7% in terms of tariff lines and 33.7% in terms of import share. India faces 0 tariffs in Hong Kong where imports are 100% duty-free. Other than Hong Kong, the US market is the one in which India benefits from a high percentage of duty-free items, both in terms of tariff lines (69.7%) and in terms of share of imports (69.4%). In the EU market, India enjoys from relatively higher preference margins and also duty-free imports both in terms of tariff lines (49.9%) and in terms of import share (52.7%).

2.3 Tariffs in Select Trading Partner Countries: A Comparative Analysis

Table 2.6 gives a comparative statement of Tariffs of India and some Select Countries. This is a selected list including some developed and some developing countries, some countries from ASEAN, some from SAARC, some BRICS Countries, some from the Gulf region and some from LAC. Among these 27 countries, India has the highest tariffs in terms of simple average MFN applied tariffs (at 17.1 percent) and third highest in terms of trade weighted average MFN applied tariffs (at 11.7 percent). The other countries with double-digit or near to double-digit simple average MFN applied tariffs are Argentina (13.6%), Bangladesh (14.0%), Brazil (13.4%), China (9.8%), Republic of Korea (13.7%), Nepal (12.1%), Sri Lanka (9.3%), Thailand (9.6%) and Vietnam (9.5%). In terms of trade weighted average MFN applied tariffs, the other countries with double-digit or near to double-digit tariffs are Argentina (14.8%), China (10.0%) and Nepal (13.4%).

Table 2.6: Comparative Statement of Tariffs in India and Select Countries

Countries	Year of MFN Tariff	Binding Coverage			Simple Average Bound			Simple Average MFN Applied			Trade Weighted Average MFN Applied		
		Total	Ag	Non-Ag	Total	Ag	Non-Ag	Total	Ag	Non-Ag	Total	Ag	Non-Ag
Argentina	2018	100	100	100	31.8	32.4	31.7	13.6	10.3	14.2	14.8	11.9	14.9
Australia	2018	97.1	100	96.7	9.7	3.5	10.7	2.5	1.2	2.7	4.3	2.4	4.4
Bangladesh	2018	16.8	98.11	4.2	154.0	186.1	36.9	14.0	17.5	13.4	0	0	0
Brazil	2018	100	100	100	31.4	35.4	30.8	13.4	10.1	13.9	10	13	9.8
China	2018	100	100	100	10.0	15.7	9.1	9.8	15.6	8.8	4.8	11.8	4.3
European Union	2018	100	100	100	5.1	12.8	3.9	5.2	12.0	4.2	3	8.1	2.7
Hong Kong	2018	47.7	100	39.8	0	0	0	0	0	0	0	0	0
India	2018	74.3	100	70.1	50.8	113.1	36.0	17.1	38.8	13.6	11.7	63	8.2
Indonesia	2018	96.3	100	95.8	37.1	47.1	35.5	8.1	8.6	8.0	5.4	5.5	5.4
Japan	2018	99.7	100	99.6	4.7	19.3	2.5	4.4	15.7	2.5	2.4	14	1.3
South Korea	2018	94.9	100	94.1	16.5	58.0	9.8	13.7	57.0	6.7	8.1	79.3	3.9
Malaysia	2017	84.3	100	81.9	21.0	54.0	14.9	5.6	7.9	5.3	3.8	8.6	3.4
Mexico	2018	100	100	100	36.2	45.0	34.8	7.0	13.9	5.8	4.4	15.1	3.6
Nepal	2018	99.4	100	99.3	26.3	41.0	23.8	12.1	14.2	11.8	13.4	13.7	13.3
New Zealand	2018	100	100	100	9.7	6.1	10.3	2.0	1.4	2.1	2.6	2.2	2.7
Norway	2018	100	100	100	20.2	133.6	3.0	6.6	44.9	0.5	2.7	27.9	0.4
Philippines	2018	67.0	90.96	61.9	25.7	35.0	23.4	6.2	9.8	5.6	5.7	10.6	5.1

Saudi Arabia	2018	100	100	100	11.0	15.2	10.4	5.4	7.3	5.1	6.3	14.7	4.6
Singapore	2018	72.0	100	67.3	9.5	23.0	6.2	0.0	0.1	0	0	0.9	0
South Africa	2018	94.3	99.87	93.4	19.2	39.0	15.7	7.7	8.7	7.6	6.5	12.9	5.9
Sri Lanka	2018	40.5	99.87	30.6	32.1	50.1	22.3	9.3	27.2	6.4	8.6	30.9	5.5
Switzerland	2018	99.7	100	99.7	8.2	49.0	2.0	6.6	36.5	1.8	1.9	26.6	0.8
Chinese Taipei	2018	100	82.86	100	6.8	17.9	5.0	6.5	16.9	4.9	2	9.1	1.7
Thailand	2017	75.2	99.87	71.4	27.9	38.9	25.6	9.6	24.0	7.3	5.3	16.8	4.6
UAE	2018	100	100	100	14.6	25.5	12.8	4.8	6.1	4.6	3.7	12	3
USA	2018	100.0	100	100.0	3.4	4.9	3.2	3.4	5.3	3.1	2.3	3.9	2.2
Viet Nam	2018	100	82.73	100	11.7	18.8	10.5	9.5	16.5	8.4	5.2	8.8	4.9

Source: Computed from WTO's World Tariff Profiles, 2019. Note: Agricultural binding coverage computed from WITS, based on WTO-IDB data

In the Agriculture sector, while tariffs are relatively high for many countries, India has the third-highest simple average MFN applied tariffs (38.8 percent) with the Republic of Korea having the highest (57 percent) followed by Norway (44.9 percent). Out of 27 Countries/Country Groupings, 16 have double-digit tariffs. In terms of trade-weighted average MFN applied tariffs, after Republic of Korea (79.3 percent), India has the second-highest tariff (63 percent) followed by Norway (27.9 percent), Sri Lanka (30.9 percent) and Switzerland (26.6 percent).

In the case of Non-Agricultural Sector, while for many of the developed countries, tariffs are very low (less than 5 percent), India has the third-highest simple average MFN applied tariffs at 13.6 percent after Argentina (14.2 percent) and Brazil (13.9 percent) and is closely followed by Bangladesh (13.4 percent) and Nepal (11.8 percent). In terms of Trade weighted average MFN applied tariffs, India is the fourth highest (8.2 percent) after Argentina (14.9 percent), Nepal (13.3 percent) and Brazil (9.8 percent).

Thus, the comparative statement shows that India is among the top high-tariff countries in terms of both Agricultural, Non-Agricultural and Total (Agricultural + Non-Agricultural) tariffs. Hong Kong and Singapore which are free ports have zero or near-zero tariffs. Trade Weighted average MFN applied tariffs are relatively lower than simple average MFN applied tariffs for most of the countries including India. While India's overall applied tariffs are high, it is mainly due to relatively higher agricultural tariffs. However, higher agricultural tariffs both bound and applied should be viewed from a historical perspective as well as livelihood concerns. The WTO agreement allowed developing countries like India to convert their non-tariff measures like QRs into tariffs under the ceiling-binding scheme. This fact should be considered along with the agricultural subsidies under AOA where developed countries had to give subsidy reduction bindings under different Boxes which has not yet been adhered to, while countries like India did not even have such subsidies or even had negative subsidies. Moreover, many agricultural items have livelihood concerns. Added to this, India is within its WTO bound limits though the bindings given were high due to the above-mentioned concerns. The focus of tariff negotiations is however on non-agricultural tariffs which forms a major chunk of India's tariffs both in terms of tariff lines and import values.

Table 2.7: Import and Export Tariff Profiles of Select Countries

Country/Territory	Trade Year	Import			Export		
		Trade Weighted Average MFN Applied Tariff			Applied Weighted Tariff Faced in Major Markets		
		All	AG	Non-AG	All	AG	Non-AG
Argentina	2017	14.8	11.9	14.9	3.9	5.9	1.5
Australia	2017	4.3	2.4	4.4	2.1	15.0	0.3
Bangladesh					3.2	4.5	3.2
Brazil	2017	10.0	13.0	9.8	2.7	7.3	0.5
China	2017	4.8	11.8	4.3	2.3	12.8	2.1
European Union	2017	3.0	8.1	2.7	3.4	9.6	3.0
Hong Kong, China	2017	0.0	0.0	0.0	2.8	3.8	2.8
India	2017	11.7	63.0	8.2	2.5	3.7	2.4
Indonesia	2017	5.4	5.5	5.4	2.6	4.7	2.1
Japan	2017	2.4	14.0	1.3	3.9	9.5	3.8
Korea, Republic of	2017	8.1	79.3	3.9	1.5	10.1	1.5
Malaysia	2017	3.8	8.6	3.4	0.6	4.2	0.4
Mexico	2017	4.4	15.1	3.6	0.4	0.8	0.3
Nepal	2017	13.4	13.7	13.3	0.3	0.0	0.4
New Zealand	2017	2.6	2.2	2.7	4.8	7.8	0.5
Norway	2017	2.7	27.9	0.4	0.6	9.3	0.6
Philippines	2017	5.7	10.6	5.1	0.8	5.5	0.4
Saudi Arabia, Kingdom of	2017	6.3	14.7	4.6	1.4	0.0	1.4
Singapore	2017	0.0	0.9	0.0	0.7	13.3	0.4
South Africa	2017	6.5	12.9	5.9	1.6	5.5	1.2
Sri Lanka	2017	8.6	30.9	5.5	7.9	2.0	9.0
Switzerland	2017	1.9	26.6	0.8	1.4	3.3	1.3
Chinese Taipei	2017	2.0	9.1	1.7	1.2	8.3	1.1
Thailand	2017	5.3	16.8	4.6	2.5	10.5	1.5
United Arab Emirates	2016	3.7	12.0	3.0	2.6	1.6	2.7
United States of America	2017	2.3	3.9	2.2	2.1	8.1	1.4
Viet Nam	2017	5.2	8.8	4.9	2.9	4.9	2.8

Source: WTO's World Tariff Profiles, 2019

It would be of interest to see if the select countries face high tariffs in the export market. A Comparison of the import tariffs of the select 27 countries, with the tariffs faced by them in major markets (Table 2.7) shows that generally developing countries face relatively lower tariffs in their export markets compared to the tariff for their imports as indicated by the applied weighted MFN tariffs. This, however, does not consider the preferential tariffs which many developing countries enjoy in their export markets. Korea Republic is one of the ASEAN countries with high Agricultural tariffs and also total tariffs, while it enjoys relatively lower tariffs for its exports. Generally, Agricultural tariffs are relatively higher with countries like Australia, China, EU, New Zealand, Singapore, and the USA facing higher Agricultural tariffs for their exports compared to their imports. Industrial Tariffs faced by the select countries are generally low for most of the

countries in their export markets. Even the developing countries with high non-agricultural tariffs like Argentina, Brazil, India and Nepal face low non-agricultural tariffs in their export markets.

2.4 India's Tariffs : Sector-Wise

2.4.1 Bound, MFN and Effective Tariffs: Sector-Wise

India's Agricultural tariffs are nearly three times and eight times higher than Non-Agricultural tariffs in terms of the Simple average MFN applied tariffs and the Trade weighted MFN applied tariffs respectively. However, there are large differences in sub-sectors.

As can be seen from Table 2.8, Average Bound tariffs are in three digits for most of the Agriculture sub-sectors with a binding coverage of 100%. Average MFN applied duties are the highest for Beverages and Tobacco (74.7 percent), followed by Coffee, Tea (56.3 percent), Oilseeds, fats and oils (54.1 percent) which is the topmost agricultural import category. The second highest agricultural import category Fruits, Vegetables and Plants also has a relatively high average MFN applied duty of 32.4%. The lowest average tariff among the Agriculture categories is for Cotton (26 percent) and Other agricultural products (29 percent).

In the case of Non-Agricultural items, Average Bound tariffs are in three digits only for Fish and Fish products. For all others, it is in the range of 27.8 to 39.6 percent.

Average MFN applied tariffs are lowest for two major imports, namely Non-Electrical machinery (7.8%) and Electrical machinery (8.8%). It is also in the range of 9-10% in the case of other major imports like minerals and metals, Petroleum and Chemicals, while it is the highest for transport equipment (31.1%) followed by Fish & Fish products (30%). It is also relatively high in textiles (20.7%) and Clothing (20.5%), while it is at 12.1% for Leather, footwear, etc.

Table 2.8: India's Tariffs by Product Groups

Product groups	Final bound duties				MFN applied duties			Imports	
	AVG	Duty-free	Max	Binding	AVG	Duty-free	Max	Share	Duty-free
		in %		in %		in %		in %	in %
Agriculture									
Animal products	104.5	0	150	100	32.5	0	100	0.0	0
Dairy products	63.8	0	150	100	34.8	0	60	0.0	0
Fruit, vegetables, plants	101.1	0	150	100	32.4	0	105	1.8	0
Coffee, tea	133.1	0	150	100	56.3	0	100	0.1	0
Cereals & preparations	114.1	0	150	100	37.1	13.2	150	0.4	3.7
Oilseeds, fats & oils	165.1	0	300	100	54.1	1.2	100	2.9	0.6
Sugars and confectionery	126.2	0	150	100	51.5	0	100	0.3	0
Beverages & tobacco	120.4	0	150	100	74.7	0.3	150	0.2	0
Cotton	110	0	150	100	26	0	30	0.2	0
Other agricultural products	105.6	0	150	100	29	7.4	70	0.5	2.3

Non Agricultural									
Fish & fish products	135.7	0	150	24.6	30	0	30	0.0	0
Minerals & metals	38.3	0.4	55	61.5	11	0.2	40	33.9	13.2
Chemicals	39.6	0.1	150	88.9	10.1	0.2	100	10.6	0.5
Wood, paper, etc.	36.4	0	47	64.4	10	2.5	20	2.0	0.4
Textiles	27.1	0	88	70.3	20.7	0	88	1.2	0
Clothing	37.7	0	70	58.7	20.5	0	70	0.2	0
Leather, footwear, etc.	34.6	0	40	51.6	12.1	0	70	1.0	0
Non-electrical machinery	28.6	6.3	40	95.4	7.8	3.7	15	8.3	20.8
Electrical machinery	27.8	24.6	40	93.5	8.8	15.2	20	10.4	27.2
Transport equipment	35.7	0	40	70.6	31.1	0	125	3.3	0
Manufactures, n.e.s.	33.5	14.5	40	43.5	11.1	4.1	25	2.9	22.6
Petroleum	-	-	-	0	9.2	0	10	19.8	0

Source: WTO : World Tariff Profiles, 2019

To see sector-wise in further detail, average tariffs at 2 digit level both MFN and Effective tariffs (AHS) are taken (Table 2.9). In the 2 digit classification given in Table 2.9, basically, HS Codes 01 to 24 except 03 are Agricultural items and other Codes are Non-Agricultural items. However, there are some sub-codes under the codes mentioned above under Agriculture items in non-agricultural items and Vice-Versa (the exact classification is given in A 2 WTO Tariff Profiles 2017, p32).

Table 2.9: India's Tariffs and Trade by Product Groups

Code	Name	Average of Simple Average							Average of Weighted Average							Import Share 2018
		AHS			BND	MFN			AHS			BND	MFN			
		1990	2010	2018	2010	1990	2010	2018	1990	2010	2018	2010	1990	2010	2018	
01	Live Animals	55.0	26.1	25.8	100.0	55.0	23.8	30.0	55.0	27.3	30.0	100.0	55.0	29.8	30.0	0.00
02	Meat and Edible Meat Offal	100.0	28.3	23.7	105.0	100.0	32.4	32.1	100.0	29.5	27.1	100.9	100.0	30.0	30.8	0.00
03	Fish and Crustaceans, Molluscs, etc	55.0	21.7	19.9		55.0	29.8	30.0	55.0	6.8	21.4		55.0	29.8	30.0	0.02
04	Birds' Eggs; Natural Honey; Edible Products of Animal Origin, etc	55.0	33.7	36.0	83.3	67.6	33.8	33.8	55.0	40.7	32.0	48.1	55.0	40.9	34.5	0.01
05	Products of Animal Origin, etc	55.0	18.5	23.6	100.0	51.8	29.7	30.0	55.0	21.6	28.2	100.0	55.0	29.2	30.0	0.01
06	Live Trees and other Plants; Cut Flowers,etc	55.0	33.5	22.1	88.8	55.0	30.3	32.2	55.0	9.1	13.6	27.8	55.0	10.4	14.4	0.00
07	Vegetable seeds; Edible Vegetables, etc	10.0	29.1	24.9	101.9	81.1	30.9	31.2	10.0	30.0	25.0	86.5	10.0	33.7	37.8	0.21

08	Edible Fruit and Nuts; etc.	119.8	26.2	26.8	95.1	104.7	31.6	34.0	74.1	16.9	16.5	78.1	74.1	18.1	30.3	0.73
09	Coffee, Tea, Mate and Spices	112.2	54.2	49.2	128.1	104.1	55.5	52.5	114.2	49.5	25.7	115.5	114.2	63.0	55.1	0.15
10	Cereals	0.0	17.7	42.9	86.3	0.0	29.8	29.8	0.0	18.3	29.5	89.7	0.0	18.3	29.7	0.02
11	Products of the Milling Industry; etc	50.4	29.4	31.3	127.1	45.3	30.4	32.2	32.0	33.6	25.8	120.4	32.0	34.0	32.2	0.02
12	Oil Seeds and Oleaginous Fruits; Miscellaneous Grains, etc	79.9	15.4	20.2	100.3	70.0	25.0	28.2	70.6	13.4	22.9	84.7	70.6	15.6	30.5	0.11
13	Lac; Gums, Resins, etc	57.9	22.3	21.7	101.7	55.8	26.9	30.0	58.7	24.3	10.6	102.0	58.7	27.2	29.8	0.05
14	Vegetable Plaiting Materials; Vegetable Products, etc	51.0	20.6	16.2	100.0	53.2	30.0	30.0	52.9	7.6	21.5	100.0	52.9	30.0	30.0	0.01
15	Animals or Vegetable Fats and Oils etc	95.8	18.2	18.3	211.7	108.3	16.1	20.2	114.6	40.4	10.7	254.5	114.6	57.8	11.0	2.06
16	Preparations of Meat, of Fish or of Crustaceans, etc	100.0	28.0	27.8	115.5	100.0	35.4	33.3	100.0	15.2	19.1	139.8	100.0	57.0	35.1	0.00
17	Sugars and Sugar Confectionery	68.2	31.3	35.0	124.7	79.3	34.4	47.7	55.2	43.0	88.3	148.3	55.2	58.2	88.7	0.14
18	Cocoa and Cocoa Preparations		24.1	24.4	119.9	100.0	29.8	30.0		18.3	17.2	100.5		29.2	30.0	0.05
19	Preparations of Cereals, Flour, Starch or Milk; etc	100.0	24.0	22.8	111.2	100.0	30.0	31.1	100.0	19.8	11.3	106.5	100.0	30.0	36.2	0.02
20	Preparations of Vegetables, Fruit, Nuts, etc	100.0	25.1	29.4	97.6	100.0	30.0	35.4	100.0	24.9	29.2	96.1	100.0	30.0	36.8	0.02
21	Miscellaneous Edible Preparations	100.0	28.3	46.1	136.9	100.0	31.4	37.5	100.0	36.5	63.2	111.0	100.0	44.3	69.2	0.04
22	Beverages, Spirits and Vinegar	220.0	110.7	101.0	150.0	303.5	114.0	111.3	303.1	82.7	82.8	150.0	303.1	86.1	86.1	0.15
23	Residues and Waste from the Food Industries; etc	55.0	21.0	16.3	101.5	55.0	22.0	21.3	55.0	18.9	19.6	139.1	55.0	27.4	25.4	0.13
24	Tobacco and Manufactures; etc	135.8	33.2	32.8	133.3	125.8	33.3	33.0	103.2	30.6	30.4	134.1	103.2	30.6	30.5	0.01
25	Salt; Sulphur; Earths and Stone; etc	56.5	4.9	5.0	39.3	64.1	5.8	5.9	16.0	5.0	5.4	30.6	16.0	5.9	6.0	0.55

26	Ores, Slag and Ash	71.8	2.2	2.5	31.0	51.8	3.1	3.4	79.0	1.3	1.5	37.7	79.0	2.0	2.5	1.17
27	Mineral Fuels, Mineral Oils and Products; etc	38.8	7.3	2.8	29.2	46.0	8.4	4.3	21.9	3.7	0.7	25.0	21.9	5.1	0.8	33.35
28	Inorganic Chemicals; etc	72.3	6.3	6.2	39.8	74.2	7.1	7.5	70.6	5.9	5.1	37.6	70.6	6.3	6.9	1.44
29	Organic Chemicals	71.1	6.3	6.2	40.4	70.9	7.2	7.0	67.0	5.5	5.3	38.2	67.0	6.5	6.1	4.46
30	Pharmaceutical Products	60.0	8.4	8.5	38.1	60.0	9.7	9.8	60.0	9.5	9.2	30.4	60.0	10.0	10.0	0.40
31	Fertilisers	50.3	5.0	5.2	4.5	46.2	6.1	6.2	57.3	5.5	5.5	5.0	57.3	5.7	5.6	1.10
32	Tanning or Dyeing Extracts; etc	129.8	7.3	7.1	39.2	132.4	8.5	8.3	117.9	8.0	7.2	39.6	117.9	9.0	9.0	0.43
33	Essential Oils and Resinoids; etc	110.0	10.5	15.0	121.7	110.0	12.8	19.3	110.0	10.7	14.2	104.1	110.0	12.5	18.5	0.21
34	Soap, Organic Surface-Active Agents; etc	63.6	8.0	8.2	40.0	61.7	9.6	10.2	63.0	7.7	6.4	40.0	63.0	8.9	9.1	0.18
35	Albuminoidal Substances; etc	60.0	12.7	12.1	92.3	60.0	16.6	16.4	60.0	11.5	11.3	61.1	60.0	12.5	13.1	0.10
36	Explosives; Pyrotechnic Products; etc	55.0	10.0	9.3	40.0	55.0	10.0	10.0	55.0	10.0	9.8	40.0	55.0	10.0	10.0	0.00
37	Photographic or Cinematographic Goods	85.5	8.6	7.5	40.0	92.8	9.9	9.8	94.6	9.6	7.7	40.0	94.6	10.0	10.0	0.04
38	Miscellaneous Chemical Products	69.9	7.2	6.7	47.9	69.6	8.9	8.1	70.0	6.9	6.4	44.2	70.0	8.2	8.2	1.18
39	Plastics and Articles thereof	96.0	7.6	7.9	40.0	100.3	8.6	8.8	76.5	6.1	6.5	40.0	76.5	7.5	8.3	3.01
40	Rubber and Articles thereof	83.2	9.0	8.7	38.4	85.8	10.7	11.0	73.3	10.2	10.0	34.7	73.3	12.0	12.7	0.74
41	Raw Hides and Skins (Other than Furskins), etc	36.2	5.6	6.3	27.6	38.8	7.6	7.6	39.6	6.3	7.0	25.3	39.6	8.1	9.4	0.12
42	Articles of Leather; etc	100.0	8.4	8.8		100.0	10.0	11.0	100.0	9.8	9.4		100.0	10.0	10.0	0.10
43	Furskins and Artificial Fur; etc	100.0	4.0	3.2	73.3	100.0	2.5	2.5	100.0	3.8	1.0	78.1	100.0	4.0	1.1	0.00
44	Wood and Articles of Wood; etc	61.0	7.2	7.0	37.3	64.9	9.1	8.7	60.0	3.9	4.3	27.6	60.0	6.1	7.4	0.44
45	Cork and Articles of Cork	55.0	8.7	8.6	40.0	55.0	10.0	10.0	55.0	8.8	9.1	40.0	55.0	10.0	10.0	0.00
46	Manufactures of Straw, etc	55.0	8.1	6.2		55.0	10.0	10.0	55.0	9.4	8.4		55.0	10.0	10.0	0.00

47	Pulp of Wood; etc	58.9	6.2	2.3	27.9	52.6	6.0	4.1	59.2	6.4	2.0	31.9	59.2	7.3	2.4	0.51
48	Paper and Paperboard, etc	92.5	8.4	8.2	39.8	97.2	9.9	10.0	60.2	5.4	7.5	36.6	60.2	5.9	10.0	0.58
49	Printed Books, Newspapers, etc	42.8	5.8	7.3	25.0	42.1	5.9	6.8	3.3	7.8	8.7	25.0	3.3	8.3	9.7	0.07
50	Silk	73.8	11.8	8.4	100.0	69.8	14.4	12.8	37.4	20.2	6.7	100.0	37.4	20.4	10.1	0.04
51	Wool, etc	78.6	6.6	7.6	45.8	74.7	8.5	8.9	101.2	4.9	5.4	47.4	101.2	5.2	5.7	0.07
52	Cotton	94.6	7.4	9.0	30.0	83.5	9.4	10.8	99.1	3.9	2.6	81.9	99.1	4.6	3.2	0.17
53	Other Vegetable Textile Fibres; etc	52.4	8.5	7.0	56.4	58.7	10.8	9.8	44.3	8.2	3.8	43.6	44.3	9.0	7.7	0.07
54	Man-made Filaments	100.0	5.7	9.0	20.7	100.0	5.7	10.4	100.0	6.5	9.7	20.7	100.0	7.7	11.7	0.18
55	Man – made Staple Fibres	100.0	6.6	9.3	24.9	100.0	9.8	11.9	100.0	4.2	8.7	21.3	100.0	5.5	10.9	0.18
56	Wadding, Felt and Nonwovens; etc	100.0	8.3	7.7	24.7	100.0	10.0	10.1	100.0	7.7	6.9	24.3	100.0	10.0	10.0	0.07
57	Carpets and Other Textile Floor Coverings		11.2	9.4	35.0	100.0	13.0	11.3		11.8	8.0	35.0		13.5	11.1	0.02
58	Special Woven Fabrics; etc	155.3	10.3	8.9	33.1	129.3	13.1	12.2	159.7	11.1	9.6	28.0	159.7	12.6	11.3	0.04
59	Impregnated, Coated, Covered or Laminated Textile Fabrics; etc	73.3	8.3	8.2	30.2	83.6	9.8	10.0	69.8	8.9	8.6	26.5	69.8	9.8	10.0	0.17
60	Knitted or Crocheted Fabrics	100.0	8.5	8.3	30.1	100.0	10.5	10.5	100.0	8.6	9.2	30.1	100.0	10.7	10.9	0.11
61	Articles of Apparel, Knitted or Crocheted, etc	100.0	21.8	14.1	46.4	100.0	21.4	17.2	100.0	22.7	11.7	37.9	100.0	23.2	17.7	0.09
62	Articles of Apparel not Knitted or Crocheted, etc	100.0	21.7	13.4	43.1	100.0	23.0	16.7	100.0	24.9	7.8	40.2	100.0	25.6	18.0	0.12
63	Other Made Up Textile Articles; etc	75.0	8.1	7.8	35.0	97.9	10.4	10.0	43.4	8.0	7.2	35.0	43.4	9.6	8.6	0.10
64	Footwear, Gaiters and the Like; Parts of such Articles	100.0	8.6	15.4		100.0	10.0	19.4	100.0	9.0	15.4		100.0	10.0	19.5	0.15
65	Headgear and Parts Thereof	100.0	8.2	7.6		100.0	10.0	10.0	100.0	9.5	8.1		100.0	10.0	10.0	0.01
66	Umbrellas, Sun Umbrellas, etc	100.0	8.3	7.5		100.0	10.0	10.0	100.0	9.9	10.0		100.0	10.0	10.0	0.01

67	Prepared Feathers, etc	100.0	8.6	7.9		100.0	10.0	10.0	100.0	9.8	9.8		100.0	10.0	10.0	0.00
68	Articles of Stone, Plaster, Cement, etc	82.2	8.5	8.0	40.0	91.7	10.0	10.0	69.0	8.8	8.8	40.0	69.0	10.0	10.0	0.20
69	Ceramic Products	66.0	7.2	6.9	37.8	83.0	9.0	9.0	50.5	7.3	7.0	32.6	50.5	7.6	7.9	0.12
70	Glass and Glassware	88.9	8.3	8.5	38.2	92.3	9.9	10.0	87.9	8.9	8.1	38.7	87.9	9.8	10.0	0.26
71	Natural or Cultured Pearls, etc	59.8	7.2	9.3	40.0	76.1	9.0	11.1	40.3	5.9	9.6	40.0	40.3	5.9	10.1	12.93
72	Iron and Steel	136.0	4.1	7.0	39.7	130.7	4.8	9.3	126.1	3.7	3.8	39.9	126.1	4.2	8.2	2.34
73	Articles of Iron or Steel	66.8	8.5	8.1	40.0	70.1	10.0	10.0	62.0	8.9	7.5	40.0	62.0	10.0	10.0	0.99
74	Copper and Articles thereof	100.6	5.7	5.4		99.3	6.5	6.4	105.1	5.0	2.5		105.1	5.5	5.4	1.00
75	Nickel and articles thereof	53.3	1.8	0.0	39.1	50.9	2.0	0.0	42.1	1.9	0.0	28.2	42.1	2.0	0.0	0.15
76	Aluminium and articles thereof	57.2	5.3	6.6		57.1	7.0	8.5	53.5	2.8	4.6		53.5	3.5	6.1	1.08
78	Lead and Articles thereof	74.5	4.6	4.0		76.9	5.6	5.6	55.4	4.2	2.6		55.4	5.0	5.0	0.17
79	Zinc and Articles thereof	91.9	4.5	4.5		85.5	5.6	5.8	99.0	4.1	2.0		99.0	5.1	5.4	0.18
80	Tin and Articles Thereof	52.5	5.6	4.6	37.0	53.3	6.0	6.0	44.2	2.6	0.2	26.0	44.2	5.1	5.1	0.05
81	Other Base Metals; etc	50.5	6.3	5.6	39.3	49.4	6.3	6.2	47.6	6.0	5.8	38.0	47.6	6.3	6.4	0.10
82	Tools, Implements, Cutlery, etc	60.6	8.6	8.2	25.0	66.8	10.0	10.0	56.2	8.9	7.0	25.0	56.2	10.0	10.0	0.23
83	Miscellaneous Articles of Base Metal	91.7	8.4	8.1		95.6	10.0	10.0	89.8	9.0	8.7		89.8	10.0	10.0	0.19
84	Nuclear Reactors, Boilers, Machinery, etc	75.6	6.0	5.9	28.2	77.9	7.1	7.2	84.8	5.5	5.0	24.4	84.8	6.1	6.1	8.54
85	Electrical Machinery and Equipment and Parts, etc	80.7	5.5	6.1	25.7	81.4	7.0	7.6	82.3	3.1	3.0	9.7	82.3	3.6	4.0	10.30
86	Railway or tramway locomotives, etc	34.7	8.9	8.8	40.0	33.3	10.0	10.0	34.9	9.4	9.7	40.0	34.9	10.0	10.0	0.12
87	Vehicles other than Railway or Tramway Rolling-stock, etc	78.6	14.2	24.5	40.0	77.7	19.6	39.4	49.7	13.9	14.5	40.0	49.7	16.0	16.1	1.24

88	Aircraft, Spacecraft, etc	39.3	5.9	4.9	22.7	39.0	7.2	7.0	35.1	3.8	3.0	6.3	35.1	3.9	3.3	0.32
89	Ships, Boats, etc	38.0	7.4	7.6	29.5	37.8	8.6	11.8	37.7	7.8	4.1	26.8	37.7	9.8	7.7	1.13
90	Optical, photographic, cinematographic, etc	57.5	5.8	6.0	33.0	63.4	7.2	7.7	58.6	5.3	5.1	31.3	58.6	5.9	6.4	1.86
91	Clocks and Watches, etc	100.0	8.4	7.6	40.0	100.0	9.2	9.0	100.0	9.4	9.2	40.0	100.0	9.6	9.7	0.07
92	Musical Instruments Parts, etc	100.0	7.8	7.1		100.0	10.0	10.0	100.0	8.1	7.3		100.0	10.0	10.0	0.01
93	Arms and Ammunition; etc	100.0	9.5	9.9		100.0	10.0	10.0	100.0	8.9	10.0		100.0	10.0	10.0	0.01
94	Furniture; Bedding, Mattresses, etc	108.2	8.1	7.9	35.0	105.4	10.0	10.0	106.6	8.4	8.2	35.0	106.6	10.0	10.0	0.37
95	Toys, Games and Sports Requisites; etc	100.0	8.3	8.3	40.0	100.0	10.0	10.6	100.0	8.4	9.0	40.0	100.0	10.0	11.4	0.13
96	Miscellaneous Manufactured Articles	146.0	8.3	7.7	35.0	115.7	10.0	10.0	173.9	9.4	7.8	35.0	173.9	10.0	10.0	0.13
97	Works of Art, etc	100.0	7.7	7.2		71.4	10.0	8.6	100.0	9.5	9.8		100.0	10.0	10.0	0.05
	WTO HS Agricultural	77.0	30.7	30.9	113.4	87.7	31.4	32.9	63.3	33.8	18.6	173.3	63.3	44.8	23.9	4.41
	WTO HS Industrial	81.1	7.5	7.7	34.8	83.6	9.6	10.6	70.0	5.5	5.6	31.0	70.0	6.0	6.8	71.08
	WTO HS Petroleum	9.9	7.0	0.0		17.5	8.2	8.0	19.7	3.7	0.0		19.7	5.2	0.0	23.78
	Total Trade	80.9	8.9	9.1	49.1	84.1	12.5	13.9	56.4	6.1	4.9	40.0	56.4	7.3	6.0	100.00

Source: Based on WITS -TRAINS Data.

In the case of Agricultural items, the simple average MFN tariffs are in the range of 20-35% for most of the 2-digit codes, except Beverages, Spirits and Vinegar (111.3%), Coffee, Tea, Mate and Spices (52.45%), Sugars and Sugar confectionery (47.65%) and Miscellaneous Edible preparations (37.5%). The effectively applied Tariffs (AHS) is only slightly lower for most of the codes under the Agricultural sector both for Simple average and Weighted average.

In the case of Non-Agricultural items, covering codes 25 to 97 and including POL items and Fish and Crustaceans, etc. (Code 03): the simple average applied MFN tariffs are above 10% for Essential Oils and Resinoids, etc.; Soap organic surface-active agents, etc.; Albuminoidal Substances, etc.; Rubber and articles; Paper and Paperboard, etc., Silk; Cotton; Man-made filaments; Man-made staple fibres; Wadding, Felt and Non-wovens, etc.; Carpets, etc.; Special woven fabrics, etc.; Knitted & Crocheted fabrics; Articles of apparel & clothing, etc., Knit and also non-knit; Other made-up textiles; Footwear, gaiters and the like; Natural or cultured pearls, etc.; Vehicles other than railways, etc.; Ships, boats, etc.; and Toys, games sports items, etc. The effectively applied tariffs (AHS) are slightly lower for non-agricultural items also. **It can be seen that many items in the Non-Agricultural sector are textile items with tariffs of 10% or above. Some chemicals, vehicles other than railways or tramways, articles of leather, natural or cultured pearls also have above 10% tariff, but AHS is**

relatively lower. The weighted average MFN tariffs also show almost similar results. Effective tariffs both simple and weighted are lower than MFN tariffs.

2.4.2 Realized Tariffs : Sector-Wise

While sector-wise customs revenue collection data are not available for recent years, earlier studies (Prasad et al) indicates that the low realized tariffs are due to the large duty concessions and exemptions given in sectors like machinery including electrical machinery, POL items, organic chemicals, plastics & articles, iron & steel items, metals, aircraft & vessels, gold, opticals and photographic items. Data to analyse sector-wise Realised tariffs are not available in the public domain now. However, in 2015-16 except for beverages and spirits, etc. and motor vehicles and parts, all other codes have a Basic customs revenue collection rate (Realized Basic Tariffs) of less than 10% (Table 2.10).

Table 2.10 – India's Realised Tariffs – Sector-wise

B/H	Description of goods	Customs Revenue Collection Rate (Realized Tariffs)			
		2014-15		2015-16	
		Basic	Total	Basic	Total
01	Fruits, Dried & Fresh	9.1	11.0	7.5	9.5
02	Coffee, Tea & Spices	1.3	2.7	1.3	3.0
03	Animal or Veg Fats & Oils	3.3	3.4	9.4	9.7
04	Beverages, Spirits, etc	31.9	35.7	36.3	41.3
05	Mineral Substances, etc	3.6	5.8	3.4	5.8
06	Ores, Slag and Ash, etc	0.8	7.3	0.6	6.9
07	Petro. Oils - crude, etc		0.1		0.1
08	Petro. Oils-other than Crude, etc	2.1	12.9	1.9	22.0
09	Other Mineral Fuels	2.0	4.1	2.0	5.1
10	Inorganic Chemicals	3.6	10.0	3.7	9.7
11	Organic Chemicals	2.3	10.5	2.3	11.0
12	Pharmaceutical Products	3.9	7.7	4.3	8.5
18	Plastics & Articles	4.7	18.0	4.8	18.9
23	Man-Made Filaments	3.7	16.6	3.4	16.0
24	Man-Made Staple Fibres	2.9	13.1	2.8	13.5
28	Primary Mat. of Iron & Steel	2.2	15.4	2.2	15.7
29	Iron & Non-Alloy Steel	2.0	14.3	2.7	17.0
30	Stainless Steel	3.5	15.1	4.0	16.5
31	Other Alloy Steel, Bars, etc. Rods etc	2.9	14.5	4.6	18.5
32	Clocks & Watches & Parts Thereof	4.6	14.7	4.8	15.7
33	Copper	2.0	12.8	1.8	13.7
35	Aluminium	2.5	15.5	2.4	14.3
40	Tools, Implements of Base Metals, etc	6.0	19.1	6.6	20.9
41	Machinery Ex. Machine Tools, etc	2.8	11.7	2.7	13.0
42	Machine Tools & Parts Accessories	3.8	13.0	3.9	14.6
44	Electrical Machinery	2.1	11.5	2.1	13.0
46	Motor Vehicles & Parts Thereof	10.9	29.0	10.8	30.6

47	Aircraft & Vessels	0.1	0.2	0.0	0.5
48	Optical, Photo, Measuring, etc Medical, etc. Surgical Instr.	3.5	12.1	3.5	12.9
50	Project Imports	1.8	8.0	2.0	9.5
51	Baggage	0.3	0.4	0.0	0.0
52	Gold	4.2	5.5	4.4	6.5
Gross Custom Collection Rate		2.3	6.8	2.8	8.7
Refunds Rate		0.4		0.3	
Drawback (Customs) Rate		0.4		0.5	
Net Customs Collection Rate		2.3	5.9	1.4	7.9

Source: Dr H A C Prasad, et. al, Working Paper No. 1/2017-DEA

2.5 India's Tariff rates – Sector-wise

One important aspect that has been pointed out about India's Tariff structure is the many Tariff rates. While Peak Tariff rates of India have fallen to 10%, Tariff rates continue to be many. To examine this aspect, we have prepared a table based on the Tariff data of India for 2019-20 by taking MFN applied Tariff (BCD) rates at the Tariff line level and classifying them into Agricultural and Non-agricultural sector. These are computed from the customs tariff database. The import figures for 2018-19 are taken from DGCI&S data. Here items with only ad valorem duty have been taken and BCD changes as per different notifications have also been taken care of (Table 2.11A).

Table 2.11A: India's different tariff rates and tariff lines 2019-20 and Imports share 2018-19

Tariff Rates	Number of Tariff Lines			Share to Imports 2018-19 (for only tariff items whose BCD is available) (%)		
	Agricultural Items (2HS code from 1 to 24 excluding 3)	Non-Agricultural	Total Tariff Lines	Agricultural Items (2HS code from 1 to 24 excluding 3)	Non-Agricultural	For Total Tariff items
0	15	97	112	0.29	2.69	2.59
2		4	4		0.80	0.77
2.5	2	144	146	10.96	14.77	14.62
3		1	1		0.00	0.00
5	33	805	838	0.99	15.27	14.73
7.5	3	2972	2975	0.01	20.08	19.32
10	13	3988	4001	1.38	23.66	22.81
12.5		183	183		11.38	10.94
15	131	273	404	1.17	5.14	4.98
20	11	1226	1237	4.46	5.16	5.13
25	7	272	279	0.04	0.87	0.84
30	886	284	1170	18.29	0.05	0.75
35	45	1	46	33.00		1.26
40	10	68	78	1.26	0.04	0.09

45	31		31	0.30		0.01
50	41		41	5.04		0.19
54	4		4	10.97		0.42
60	18		18	0.38		0.01
70	39	2	41	3.41	0.00	0.13
80	8		8	0.01		0.00
100	72	23	95	5.49	0.01	0.22
125		63	63		0.08	0.07
150	63		63	2.57		0.10
200		1	1			
Grand Total	1432	10407	11839	100.00	100.00	100.00

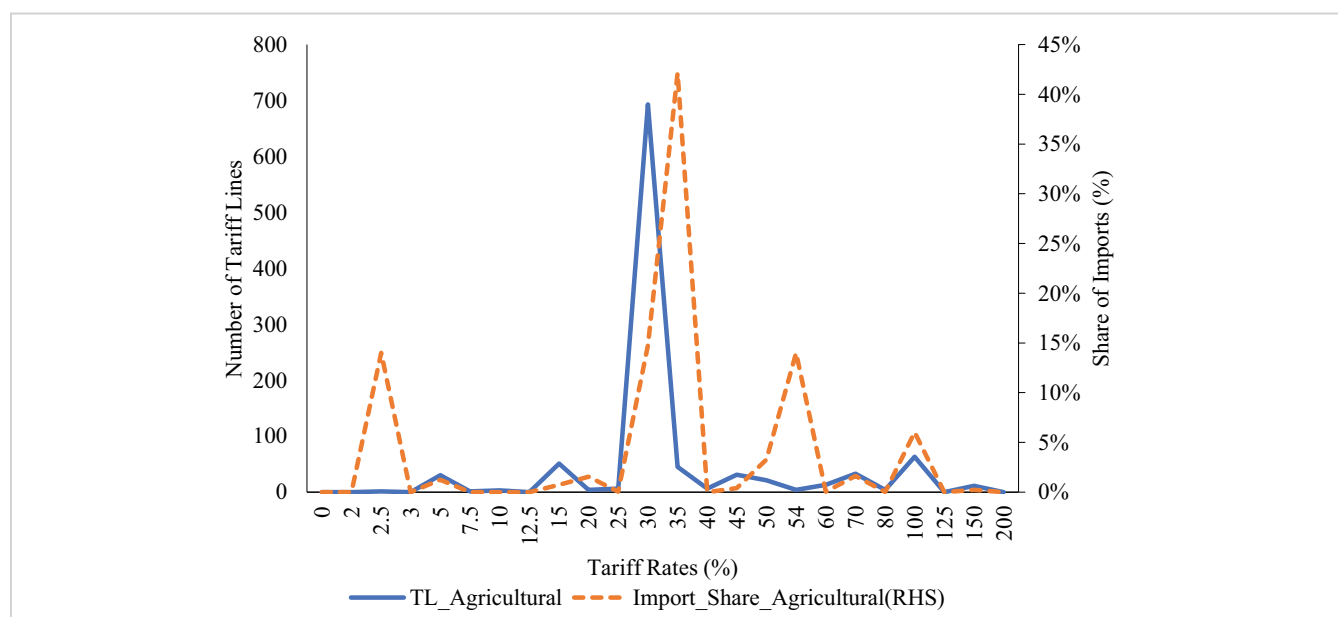
Source: Author's computation based on data extracted from Custada.in for tariff data and DOC for import data.

Note: Items for only Basic Custom Duty (AV and NTFN) were taken. Imports share is only for those items whose BCD is given, rest are excluded. Agricultural items mean all items code from 01 to 24 at 2HS excluding 03. The rest of the 2HS codes other than Agricultural items are Non-agricultural products.

2.5.1 Tariff Rates : By Broad Categories

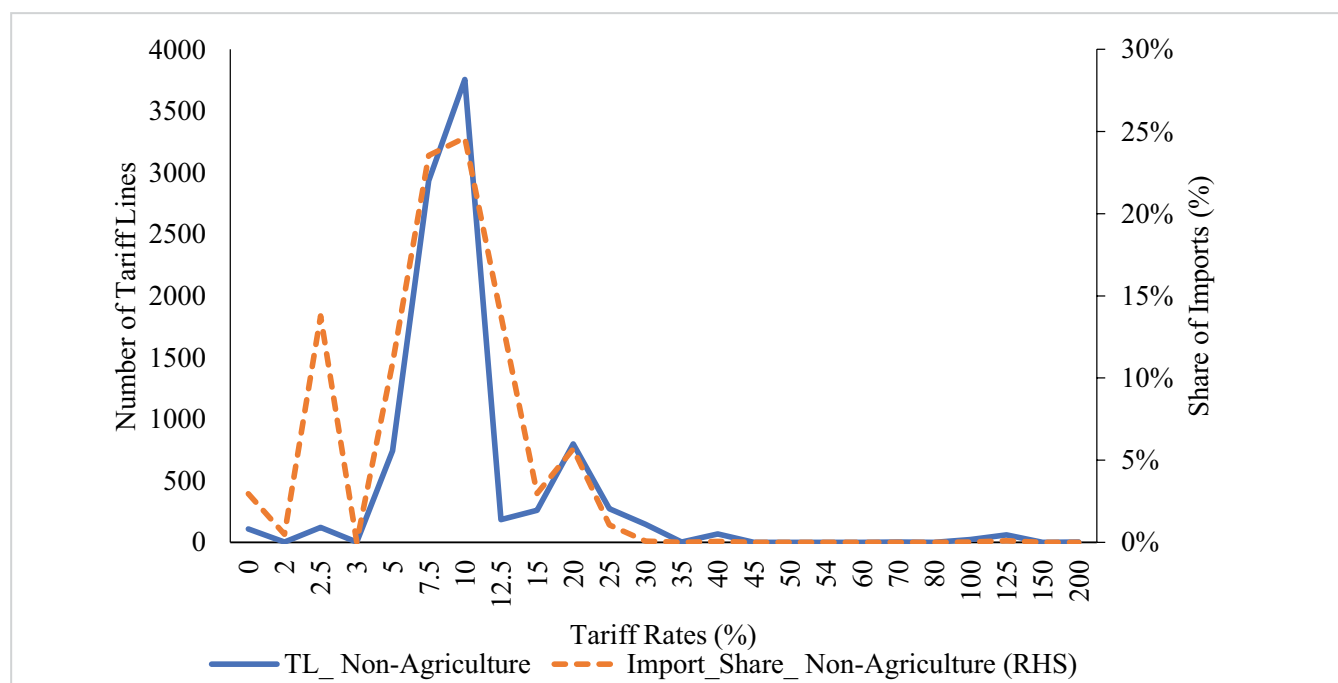
As can be seen in the table, India still has 24 ad valorem tariff rates including the zero-duty rate covering 11839 Tariff lines. While the Agricultural sector has 19 Tariff rates covering 1432 Tariff lines, the non-agricultural sector has 18 rates covering 10407 Tariff lines. The Tariff rates of the Agricultural sector are top-heavy (15-150 range), while Tariff rates of the non-agricultural sector are bottom-heavy (0-30 range). Maximum Tariff lines are in the Tariff rate of 30% for the agricultural sector, while that of the non-agricultural sector is in the 10%, 7.5%, 20% and 5% rates. Thus, the modal tariff rate in the agricultural sector is 30% and the most appearing tariff rates in the non-agricultural sector are 10% & 7.5% followed by 20% (Figure 2.3 A & B).

Figure 2.3 A: Dispersion of India's Tariff Rates 2019-20- Agricultural



Source: Author's computation based on data extracted from Custada.in for tariff data and DoC for import data.

Figure 2.3 B: Dispersion of India's Tariff Rates 2019-20- Non-Agricultural



Source: Author's computation based on data extracted from Custada.in for tariff data and DoC for import data.

There are 4 Tariff rates in the agricultural sector and 6 Tariff rates in the non-agricultural sector with a tariff rate below 10 percent (i.e., single-digit tariffs). These are cases to be examined for rationalization in terms of the number of tariff rates. Even some tariff rates at the upper end can be merged. In import value terms they cover 12.3 percent of agricultural imports and 53.6 percent of non-agricultural imports. Merging some Tariff rates at the tail ends (upper and lower range) where the frequency of items is less can easily reduce the number of Tariff rates (Agricultural & Non-Agricultural) at one shot without affecting many tariff lines.

There are 1379 Tariff lines in Agricultural sector and 6384 in Non-Agricultural sector with Tariff rates at and above 10 percent. Thus, 96.3 percent of Tariff lines in the Agricultural sector, 61.3 percent in the Non-Agricultural sector and 65.6 percent in Total have tariff rates at and above 10 percent. In terms of import share, 87.7 percent of Tariff lines in the Agricultural sector, 46.4 percent in the Non-Agricultural sector and 48.0 percent in Total (Agricultural & Non-Agricultural) have 10 percent and above tariffs. However, at the borderline tariff rate of 10 percent itself, there are 33.8 percent of tariff lines with 22.8 percent share in imports. Of this, 0.9 percent and 38.3 percent of tariff lines are in Agricultural and Non-Agricultural sectors with 1.4 percent and 23.7 percent share in imports respectively.

If we exclude items with a 10 percent tariff rate, and take only the items at above 10% rate then the total number of tariff lines in the agricultural sector, industrial sector and the total will be 95.4%, 23.0% and 31.8%. Their import shares will be 86.4% in Agricultural, 22.7% in Non-Agricultural and 25.2% in Total (Table 2.11b). Thus, there are a large number of non-agricultural tariff lines (38.3%) with a substantial share in imports (23.7%) at the borderline of 10% also. The items with above 10% tariff rates have given India the tag of a high Tariff economy. Thus, it is these Tariff lines that need to be examined for rationalization in terms of the level of tariffs. The borderline items in the non-agricultural sector with a 10% tariff should also be considered for rationalization.

Table 2.11b: Tariff rates 10%, >= 10% and > 10% : Share of Number of Tariff Lines and Imports in 2018-19

Tariff Rates	Share of Number of Tariff Lines (percent)			Share to Imports (for only tariff items whose BCD is available) (per cent)		
	Agricultural Items	Non-Agriculture	Total Tariff Lines	Agricultural Items (2HS code from 1 to 24 excluding 3)	Non-Agriculture	For Total Tariff items
10%	0.9	38.3	33.8	1.4	23.7	22.8
10 % and above	96.3	61.3	65.6	87.7	46.4	48.0
Above 10%	95.4	23.0	31.8	86.4	22.7	25.2

Source: Author's computation based on data extracted from Custada.in for tariff data and DoC for import data.

Note: Items for only Basic Custom Duty (AV and NTFN) were taken. Imports share is only for those whose BCD is given, rest are excluded. Agricultural items mean all items code from 01 to 24 at 2HS excluding 03. The rest of the 2HS codes other than Agricultural items are Non Agricultural products.

While high tariffs on some items particularly in the agricultural sector are needed due to livelihood concerns, there are many items where tariffs can be rationalized after due consultation with stakeholders which can help in automatically reducing both the number of tariff rates and average tariffs.

One thing to be noted is that we have not taken non-ad valorem rates. If both ad Valorem and ad Valorem equivalent rates are taken, then there will be 252 distinct tariff rates in 2018 as stated in Chapter 1 and many in decimals (as per a separate exercise done in this study). This is because when specific duties are converted to ad Valorem equivalents, tariff rates will be in decimals.

2.5.2 Tariff Rates by Sectors at 2HS level

An attempt has also been made to further see the items under different Tariff rates (Annexure 2). Tariff rates having a minimum of 100 Tariff lines have been analyzed here.

Zero-Tariff rate : The major items are items falling under Code 85-Electrical Machinery and Equipment; Sound recorders and Reproducers, Television Image and Sound Recorders and Reproducers, etc. **There are many ITA 1 Items- in this tariff rate. In the case of ITA-1 Items, India has lost badly its semiconductor dream by committing to zero tariffs in 1996 before its semiconductor sector became competitive compared to the South-East Asian countries which had already become competitive before signing the agreement.**

Tariff rate 2.5% : This covers mainly Code 26: Ores, Slag and Ash; Code 27: Mineral Fuels, etc.; and Code 29: Organic Chemicals.

Tariff rate 5% : This includes items under different codes like Code 25: Salt: Sulphur, etc.; Code 26: Ores, Slag and Ash; Code 27: Mineral Fuels, etc.; Code 29: Organic Chemicals; Code 31: Fertilizers; Code 44: Wood and articles of wood, etc. and many items in Code 72 to 81, covering Iron and Steel and articles of other metals and code 85 electrical machinery.

Tariff rate 7.5%: This covers Codes 28 and 29, 31 & 38, covering Chemicals & Fertilizers; Code 32: Tanning or Dying extracts, etc.; Code 39: Plastics & Articles; Code 72, 74 & 76: Iron & Steel & Other Metals; Code 84: Nuclear Reactors, etc. Code 85: Electrical Machinery; and Code 90: Optical, Photographic items, etc.

Tariff Rate 10%: This has the highest number of Tariff lines and is thus the Peak rate and includes items from multiple categories. Major items include items in Code 30: Pharmaceutical products; Code 32: Tanning Items, etc.; Code 34: Soap, etc.; Code 37: Photographic items, etc.; Code 38: Miscellaneous Chemical products; Code 39: Plastics, etc.; Code 40: Rubber and Articles, etc.; Code 44: Wood and Articles, etc.; Code 48: paper and Paper board, etc.; Codes 50 to 64 including many textile items, Code 70: Glass and Glassware; Codes 72 to 83 including Iron and Steel and Other Metals; Code 85: Electrical Machinery; Code 86 & 87 including Railways and Other Vehicles; Code 90: Optical, Photographic Items, etc.; and Code 96: Miscellaneous Manufactured Articles.

Among the items with Tariff rate above 10%, the major items are in two Tariff rates 30% and 20% followed by Tariff rates 15%, 25% and 12.5%.

Tariff rate 30%: The items in this tariff rate are mainly in the agricultural sector including Code 07: Edible vegetables, etc.; Code 08: Edible Fruits and Nuts, etc.; Code 09 Coffee, Tea, Mate and Spices; Code 12: Oilseeds, etc.; Code 16: Preparations of Meat, etc.; Code 19: Preparations of Cereals, etc.; Code 20: Preparations of Vegetables, etc.; Code 21: Miscellaneous Edible Preparations and Code 24: Tobacco, etc. which is a low merit item. There is one non-agricultural item - Code 03: Fish and Crustaceans, etc. Thus most of the items under rate 30% are in the agricultural sector and as in other countries, India has also kept relatively higher Tariffs for them.

Tariff rate 20%: The items are mainly from the non-agricultural sector, with major items in Code 33: Essential Oils, etc. and Codes 50 to 60 covering Textiles items mainly. Code 54: Man-made filaments and Code 55: Man-made staple fibers; and Code 71: Natural or Cultured Pearls, etc.

Tariff rate 15%: The major items from the non-agricultural sector are Code 39: Plastics, etc.; Code 42: Articles of Leather, etc.; Code 84: Nuclear reactors, etc.; Code 85: Electrical Machinery and Code 87: Vehicles other than railways, tramways, etc. Of these items, electrical machinery has a high import share. The agricultural sector items are Code 12: Oilseeds, etc., and Code 23: Residues & Waste from Food Industry.

Tariff rates 25%: The major items are in Code 52, 54, 55 covering Textile items and Code 64: Footwear, etc.

Tariff rate 12.5%: The 2 Codes in this tariff rate are Code 72: Iron & Steel and Code 71: Natural or Cultured Pearls, etc. which has a high import share.

Annexure 3 gives a list of items at the tariff line level with different tariff rates with an import share of 0.05% and above in the total imports. There are many items with 10% and above tariff rates in this list. Thus, the number of tariff rates can be reduced and the Effective Tariffs are already lower for many of them and Realized Tariffs still lower. **Therefore, there is scope to reduce not only tariffs but also reduce tariff rates, particularly in the non-agricultural sector.**

2.6 India's Tariffs by Stages of Processing

India's tariffs by stages of processing as per different tariff terminologies are given in Table 2.13. The Table shows that in 2018 MFN simple tariffs are low for capital goods (8.3%) and intermediate goods (10.4%). It is high for consumer goods (16.6%) and raw materials (20.6%). Simple average MFN tariffs have fallen drastically over the years for capital goods, intermediate goods and even consumer goods. Simple average Effective tariffs (AHS) are much lower than MFN tariffs in 2018 and are lowest for capital goods and intermediate goods indicating the effect of Preferential Tariffs. Weighted average MFN tariffs in 2018 have fallen from the high levels in 1999 and 2005 and are very low and the lowest for raw materials (2.6%) in 2018, followed by capital goods (5.3%) and intermediate goods (8.6%). Thus, there has been a drastic fall in MFN rates on items at all stages of processing and particularly raw materials.

The fact that the weighted averages are much lower than simple averages indicates that despite many tariff lines under raw materials having relatively higher duties, high import value raw materials have a very low duty. Weighted average effective tariffs are slightly lower for all the four stages of processing in 2018, indicating the effect of Preferential Tariffs. **Thus, even without Preferential Tariffs, India's import tariff structure is helpful for domestic production and Make in India. However, there is a need to ensure that raw materials have lower duties even in terms of simple average which means tariff line-wise duties need to be lowered at least up to effective tariff level except for any sensitive agricultural items. This will also help in addressing the inverted duty structure.**

The tariffs on imports from India by the World (Table 2.14) show that in 2018, the simple average MFN tariffs of the World on imports at all stages of processing are much lower than that of India's tariffs on imports from the World at different stages of processing. It is particularly lower for capital goods, intermediate goods and raw materials. Weighted average MFN tariff is still lower and the lowest for intermediate goods (3.3%), followed by Capital goods (3.9%), but for raw materials, it is at 6.2% and almost the same as the simple average. Thus, a large value of intermediate goods imports of the world from India has low MFN tariffs. Effective tariffs are only slightly lower in all stages of processing both for simple and weighted average.

Thus, while the tariff structure of the world has helped in India's exports of Intermediate goods and even Capital goods, India's tariff structure on imports from the world has helped in the import of low tariffed raw materials with higher weightage in the import basket of India, despite many raw materials having high tariffs in India.

Table 2.13: India's Tariff by Stages of Processing

World Imports from India	1999				2005				2018			
	AHS	BND	MFN	Total Imports (US\$ mn)	AHS	BND	MFN	Total Imports (US\$ mn)	AHS	BND	MFN	Total Imports (US\$ mn)
Simple Average												
1 Raw materials	23.4	75.8	23.0	18506.0	18.1	76.9	24.8	52519.0	10.0	77.4	20.6	221574.0
2 Intermediate goods	34.3	48.0	34.2	14901.0	16.4	46.8	17.7	43551.0	7.8	46.6	10.4	184252.0
3 Consumer goods	37.0	64.2	37.8	7898.0	19.0	62.8	21.5	15016.0	12.0	65.7	16.6	70221.0
4 Capital goods	27.0	28.2	28.2	7627.0	13.3	28.5	14.2	28278.0	6.2	28.8	8.3	128504.0

Weighted Average												
1 Raw materials	24.4	44.4	24.4	18506.0	11.8	39.7	11.8	52519.0	2.1	36.9	2.6	221574.0
2 Intermediate goods	33.0	41.6	33.0	14901.0	18.0	47.1	18.3	43551.0	7.1	51.8	8.6	184252.0
3 Consumer goods	31.6	152.4	31.7	7898.0	17.6	61.4	18.0	15016.0	8.3	69.5	9.9	70221.0
4 Capital goods	26.6	22.5	26.6	7627.0	9.6	17.8	9.7	28278.0	4.1	17.6	5.3	128504.0

Source: Computed from WITS Database

Table 2.14: Import Tariffs Imposed by World on India- by Stage of Processing

World Imports From India	1999				2005				2018			
	AHS	BND	MFN	Total Imports (US\$ mn)	AHS	BND	MFN	Total Imports (US\$ mn)	AHS	BND	MFN	Total Imports (US\$ mn)
Simple Average												
1 Raw materials	6.9	26.8	7.2	4821.0	7.6	28.0	7.8	13682.0	5.4	29.4	6.2	17343.0
2 Intermediate goods	9.6	19.8	9.9	16428.0	7.2	22.8	7.4	43399.0	5.3	22.5	6.1	96937.0
3 Consumer goods	14.2	25.9	14.7	13706.0	12.8	28.3	13.2	39428.0	10.7	28.6	11.7	81280.0
4 Capital goods	8.4	16.7	8.7	2902.0	5.7	20.3	6.0	10663.0	4.2	21.1	4.7	35987.0
Weighted Average												
1 Raw materials	3.2	7.6	3.5	4821.0	2.1	8.5	2.2	13682.0	5.4	13.6	6.2	17343.0
2 Intermediate goods	4.6	8.3	4.9	16428.0	3.3	11.0	3.6	43399.0	2.4	9.9	3.3	96937.0
3 Consumer goods	8.5	11.5	9.3	13706.0	6.9	13.2	7.5	39428.0	6.1	14.3	7.1	81280.0
4 Capital goods	5.1	6.7	5.5	2902.0	4.4	9.4	4.8	10663.0	2.8	10.6	3.9	35987.0

Source: Computed from WITS Database

2.7 Some Inferences and Policy Suggestions

Some of the inferences and suggestions emerging from this analysis are the following.

- **India's simple average MFN applied tariffs at above 10% in 2018 for Total and non-agricultural items and above 30% for agricultural items is considered to be high.** Thus, at first glance, India's tariffs seem to be relatively higher than many other countries including the ASEAN countries, though Korea has relatively high (total) simple average tariffs due to its high tariffs on the agricultural sector. But, India's weighted average MFN applied tariffs are lower at around 11.7% in 2018 for total items and particularly for non-agricultural items at 8.2%. But ASEAN countries have still lower duties. There are variations in the figures taken from different sources.
- **In the non-agricultural sector, import values and tariff lines are more concentrated in the lower end of the tariff range, while in the case of agricultural items they are more concentrated in the higher end of the tariff range.** While around 68% of the tariff lines covering around 86% imports in the non-agricultural sector have less than 10% MFN applied tariffs, around 3.7% of tariff lines covering around 12.3% imports in the non-agricultural sector has less than 10% MFN applied tariffs.
- **While India's applied tariffs are below the bound tariffs, the bindings themselves are at a higher level, both for the agricultural and non-agricultural sectors.**
- **The lower weighted average MFN tariffs compared to simple average MFN tariffs, particularly**

for the non-agricultural sector indicates that India's imports of high tariff items are lower which could also imply that high tariffs could have lowered imports of such items.

- While India's Non-Ad Valorem tariffs have fallen over the years in the non-agricultural sector, still 5.5% of the MFN applied tariff lines, have non-ad valorem (NAV) tariffs in 2018, though in terms of imports they form only 0.3% of total imports of India in 2017. Even under WTO bindings for 5.7% of the tariff lines, there are NAV tariffs. In the agricultural sector, non-ad valorem tariffs are less in terms of tariff lines (0.3% in 2018), but in terms of import shares, it is 2.9% in 2017. The NAVs are high in the textiles sector. **If the NAV equivalents are calculated for NAV tariffs as given in WITS data, the number of tariff rates increases and will also be in decimals in many cases. There is a need to reduce the NAV duties to AV duties to the maximum possible extent.**
- **India's total import duties including BCD, IGST and SWS is double or more than double the BCD in most of the non-agricultural items.** While there is no refund or input credit for SWS, in the case of IGST, though Input Tax Credit (ITC) is available, there is the drill of paying IGST first and then claiming input credit later. Besides, in the case of some final consumption goods, there is the problem of claiming ITC.
- **Effective tariffs taking into account the preferential tariffs to different countries, being much lower, shows that India's import tariffs are not as high as it is believed to be.** If this is the case, there is also a need for India to dispel the belief that India is a high tariff country by highlighting the facts and wherever possible rationalizing MFN tariffs closer to effective tariff levels.
- **Realized tariffs go one step further. Realized tariff (Basic) was very low at 3.2% in 2018, further reinforcing the fact that India's tariffs are not as high as they appear to be.** The different tariff concessions by the Government including preferential tariff concessions are all captured in the realized tariffs which is based on customs collection, though not strictly comparable to other tariff terminologies. A similar indicator for the US giving total customs revenue to total imports of the US is 1.6% in 2018. Thus, India's realized tariffs are not that high compared to that of the US. However, the US realized tariffs is only slightly lower than its average MFN tariff unlike India's which is much higher. **Thus, while there is a need to bridge the gap between perception and reality, a careful rationalization of tariffs is also needed to lower applied MFN tariffs. But tariff rationalization has to be done carefully as many sensitive items and items having livelihood concerns are also there. To begin with tariff lines with BCD above 10% should be examined for rationalization keeping in mind domestic concerns also. Even items at the borderline of 10% can be considered for rationalization.**
- **The low realized tariffs are also due to different concessions under export promotion schemes, particularly MEIS.** While a lot of revenue is foregone as indicated by the gap between MFN applied and Realized tariffs, India's Export Promotion schemes are questioned in the WTO as some of them are considered as WTO incompatible. A carefully thought out plan of reducing tariffs coupled with the withdrawal of the WTO incompatible export promotion schemes can, not only help in the growth of the economy but also have a positive effect on India's trade negotiations and help in removing the tag of India being a high tariff economy. Though different rates of tariffs

are levied not just with the motive of revenue generation, but for various other reasons including protecting the domestic sectors, providing differential treatment to sectors, avoiding inverted duties, etc., there is scope for India to reduce its applied tariffs substantially and simultaneously phase out some of the export promotion schemes. This will not cause much revenue loss. In fact, revenue can be higher if applied tariff rates are kept slightly above the current realized tariff rates along with plugging leakages which at present are in the form of export incentives. Exporters will also not be affected as the import duties are lower. Instead, they can benefit due to lower transaction costs. Domestic concerns should, however, be taken care of by addressing issues for sensitive items.

- **India also has many rates of tariffs.** While tariff reforms till now have helped in bringing India's Peak duty to 10% and also supposedly reduced the number of tariff rates, in reality, there are still 24 ad Valorem rates with 19 in the agricultural and 18 in the non-agricultural sector. In the agricultural sector, there are 1379 tariff lines and in the non-agricultural sector 6384 tariff lines with ad valorem MFN average tariffs at or above 10%. Thus, while it is believed that the number of tariff rates has been reduced over the years, India still has many tariff rates even if only ad valorem tariff rates are considered. While converting non-ad valorem rates to ad valorem rates will increase the number of rates further and also give it in decimals, this is more of an academic exercise. Thus, there is a need to reduce the number of tariff rates to the barest minimum.
- **The analysis of imports by Stages of Processing,** taking the weighted average for both MFN and effective tariffs shows that India is moving in the right direction towards 'Make in India' with tariffs for raw materials, capital goods and intermediate goods being low and falling. There is a need to take steps to reduce the tariffs for intermediate goods further. However, simple average figures show that raw materials have the highest tariff rates. The difference between simple and weighted averages indicate that while tariffs for many tariff lines of raw materials are high, making simple average tariffs higher, the weightage of low tariffed raw materials is high. **While the tariff structure of the World on imports from India is helpful for India's exports of Intermediate goods and even Capital goods, India's tariff structure for World imports has helped in imports of some low tariffed, but high weighted raw materials. Despite a high weightage for low tariffed raw material imports, there is a need to ensure that in terms of the number of tariff lines also, raw materials have low tariffs and any inverted duty structure is avoided. This can further help India move up the value chain.**
- **In conclusion, any policy of rationalization of tariffs should simplify the tariff structure by reducing the tariffs wherever possible along with reducing the number of tariff rates and reducing the rates of IGST which can also help in reducing total duties. SWS on imports needs to be removed as it further adds to tariff protection. While tariff rates below 10% can be considered for merging to help reduce the number of tariff rates, the tariff lines with 10% or above 10% tariff rate needs to be considered for rationalization of both the number of rates and level of tariffs. However, care should be taken in the case of sensitive items and those items affecting livelihood concerns, particularly in the agricultural sector. The tariff structure of India should also help in the import of raw materials by reducing tariffs of as many raw material tariff lines as possible, instead of the present structure where tariffs are low for only high weighted raw materials imported by India.**

Annexure 1: India's Tariffs over the years 1996-2018 -WITS-WTO

Indias Tariffs	1996	1997	2000	2003	2004	2005	2006	2008	2010	2012	2015	2016	2017	2018
AHS-Simple Average														
All digit at 2 digit level	37.0	33.9	32.7	25.4	21.3	16.0	13.7	9.7	9.1	10.0	9.8	9.9	10.2	13.5
WTO HS Agricultural	43.3	39.2	36.6	37.2	37.1	38.0	33.9	32.7	32.6	35.5	34.9	34.3	35.3	42.6
WTO HS Industrial	36.7	33.7	32.4	24.6	20.2	14.6	12.4	8.2	7.6	8.4	8.3	8.4	8.6	11.6
MFN-Simple Average														
All digit at 2 digit level	38.7	34.9	33.7	26.5	22.8	18.5	16.6	12.1	12.1	13.3	13.2	13.3	13.5	17.2
WTO HS Agricultural	38.1	34.7	38.4	36.9	36.5	37.6	34.2	32.2	31.4	33.5	32.8	32.8	32.7	38.8
WTO HS Industrial	38.8	35.0	33.0	24.8	20.6	15.4	13.9	8.9	9.0	9.8	9.8	9.8	9.9	13.3
AHS -Weighted Average														
All digit at 2 digit level	23.6	23.5	23.6	21.8	18.5	13.3	9.2	6.0	6.9	6.9	7.4	7.3		
WTO HS Agricultural	33.1	26.8	33.0	60.4	60.1	50.2	41.5	13.6	43.0	51.9	37.4	34.1		
WTO HS Industrial	26.6	25.9	29.3	22.5	18.5	12.5	8.9	5.9	5.7	7.2	6.7	6.7		
MFN - Weighted Average														
All digit at 2 digit level	23.6	23.5	23.6	21.8	18.5	13.4	9.2	6.0	7.2	6.9	7.5	7.5		
WTO HS Agricultural	33.1	26.8	33.0	60.4	60.1	52.3	41.5	13.6	45.1	52.4	38.9	35.6		
WTO HS Industrial	26.6	25.9	29.3	22.5	18.5	12.6	8.9	5.9	6.0	7.3	6.9	6.9		
MFN minus AHS - Weighted														
All digit at 2 digit level	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.3	0.0	0.2	0.2		
WTO HS Agricultural	0.0	0.0	0.0	0.0	0.0	2.1	0.0	0.0	2.2	0.5	1.5	1.5		
WTO HS Industrial	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.2	0.0	0.1	0.1		
Realized Tariffs - Total (Ratio of Customs Revenues to Total Imports)	29.3	22.6	15.8	10.0	11.5	9.8	10.3	7.3	8.1	6.2	8.4	8.7	4.3	3.3
Realized Tariffs - Basic (Ratio of Basic Customs Duty to Total Imports)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.8	1.8	2.4	2.5	2.7	3.2

Annexure 2: India's Different Tariff Rates and Tariff Lines 2019-20 and Imports share 2018-19 at 2 digit HS

Tariff Rates/2HS code	Number of Tariff Lines 2019-20			Share to India's Imports 2018-19 (%)		
	Agri	Non-Agri	Total	Agri	Non-Agri	Total
0	15	97	112	0.29	2.69	2.59
10-Cereals.	15		15	0.29		0.01
41-Raw Hides And Skins (Other Than Furskins), etc.		20	20		0.01	0.01
43-Furskins And Artificial Fur, Manufactures Thereof.		1	1		0.00	0.00
49-Printed Books, Newspapers, Pictures And Other Products Of The Printing Industry Manuscripts, Typescripts And Plans.		9	9		0.00	0.00
84-Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof		8	8		0.23	0.22

85-Electrical Machinery And Equipment And Parts Thereof; Sound Recorders, etc An Reproducers, Television Image And Sound Recorders And Reproducers,And Parts.		55	55		2.44	2.35
87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		1	1			
97-Works Of Art Collectors' Pieces And Antiques.		3	3		0.00	0.00
2		4	4		0.80	0.77
29-Organic Chemicals		4	4		0.80	0.77
2.5	2	144	146	10.96	14.77	14.62
08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	1		1	10.96		0.42
22-Beverages, Spirits And Vinegar.	1		1			
25-Salt; Sulphur; Earths And Stone; Plastering Materials, Lime And Cement.		4	4		0.00	0.00
26-Ores, Slag And Ash.		57	57		0.53	0.50
27-Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances; Mineral Waxes.		23	23		12.22	11.75
28-Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, etc.		1	1		0.03	0.03
29-Organic Chemicals		25	25		0.64	0.61
32-Tanning Or Dyeing Extracts; Tannins And Their Derivatives Dyes, Pigments, etc An etc Othe Colouring Matter; Paints And Ver; Putty And Other Mastics; Inks.		4	4		0.02	0.02
38-Miscellaneous Chemical Products.		2	2		0.00	0.00
51-Wool, Fine Or Coarse Animal Hair, Horsehair Yarn And Woven Fabric.		6	6		0.09	0.09
54-Man-Made Filaments.		2	2		0.03	0.02
71-Natural Or Cultured Pearls,Precious Or Semiprecious Stones,Pre.Metals, etc		2	2		0.01	0.01
72-Iron And Steel		1	1		0.10	0.09
74-Copper And Articles Thereof.		1	1		0.16	0.16
76-Aluminium And Articles Thereof.		1	1		0.69	0.66
81-Other Base Metals; Cermets; Articles Thereof		2	2		0.00	0.00
84-Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof		4	4			
85-Electrical Machinery And Equipment And Parts Thereof; Sound Recorders, etc And Reproducers, Television Image And Sound Recorders And Reproducers,And Parts.		1	1		0.17	0.16
88-Aircraft, Spacecraft, And Parts Thereof		6	6		0.09	0.09
89-Ships, Boats And Floating Structures		2	2			

3		1	1		0.00	0.00
40-Rubber And Articles Thereof		1	1		0.00	0.00
5	33	805	838	0.99	15.27	14.73
06-Live Trees And Other Plants; Bulbs; Roots And The Like; Cut Flowers, etc	15		15	0.11		0.00
12-Oil Seeds And Oleaginous Fruits; Misc. Grains, Seeds And Fruit; Industrial Or Medicinal Plants; Straw And Fodder.	12		12	0.68		0.03
13-Lac; Gums, Resins And Other Vegetable Saps And Extracts	2		2	0.03		0.00
22-Beverages, Spirits And Vinegar	1		1			
23-Residues And Waste From The Food Industries; Prepared Animal Fodder	3		3	0.16		0.01
25-Salt; Sulphur; Earths And Stone; Plastering Materials, Lime And Cement		131	131		0.67	0.64
26-Ores, Slag And Ash		17	17		0.01	0.01
27-Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances Mineral Waxes.		45	45		4.77	4.58
28-Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, etc Of Isotopes.		9	9		1.08	1.04
29-Organic Chemicals		96	96		1.18	1.14
31-Fertilisers.		11	11		1.48	1.42
32-Tanning Or Dyeing Extracts; Tannins And Their Derivatives Dyes, Pigments Other Colouring Matter; Paints And Varnishes; Putty And Other Mastics; Inks.		3	3		0.01	0.01
37-Photographic Or Cinematographic Goods		1	1		0.00	0.00
38-Miscellaneous Chemical Products		4	4		0.10	0.09
39-Plastic And Articles Thereof		3	3		0.30	0.29
44-Wood And Articles Of Wood; Wood Charcoal		60	60		0.31	0.30
47-Pulp Of Wood Or Of Other Fibrous Cellulosic Material; Waste And Scrap of paper, etc		17	17		0.31	0.29
49-Printed Books, Newspapers, Pictures And Other Products Of The Printing Industry; etc		2	2			
51-Wool, Fine Or Coarse Animal Hair, Horsehair Yarn And Woven Fabric		6	6		0.00	0.00
53-Other Vegetable Textile Fibres; Paper Yarn And Woven Fabrics Of Paper Yarn		1	1		0.01	0.01
54-Man-Made Filaments		2	2		0.01	0.01
72-Iron And Steel		52	52		0.97	0.93
74-Copper And Articles Thereof		60	60		0.96	0.93
75-Nickel And Articles Thereof		27	27		0.17	0.17
76-Aluminium And Articles Thereof		1	1		0.00	0.00
78-Lead And Articles Thereof		13	13		0.17	0.16

79-Zinc And Articles Thereof		17	17		0.19	0.19
80-Tin And Articles Thereof.		9	9		0.06	0.06
81-Other Base Metals; Cermets; Articles Thereof		47	47		0.07	0.07
84-Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof		125	125		0.68	0.65
85-Electrical Machinery And Equipment And Parts Thereof; Sound Recorders, etc eproducers,And Parts.		10	10		1.07	1.03
86-Railway Or Tramway Locomotives, Rolling-Stock And Parts Thereof, etc		1	1			
89-Ships, Boats And Floating Structures		2	2			
90-Optical, Photographic Cinematographic Measuring, Checking Precision, etc		13	13		0.02	0.02
91-Clocks And Watches And Parts Thereof		10	10		0.01	0.01
94-Furniture; Bedding, Mattresses, Mattress Supports, Cushions, etc		2	2		0.02	0.02
98-Project Goods; Some Special Uses		8	8		0.65	0.62
7.5	3	2972	2975	0.01	20.08	19.32
15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats, etc	2		2	0.00		0.00
20-Preparations Of Vegetables, Fruit, Nuts Or Other Parts Of Plants	1		1	0.01		0.00
28-Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, etc		324	324		1.02	0.98
29-Organic Chemicals		717	717		3.60	3.46
31-Fertilisers		18	18		0.38	0.37
32-Tanning Or Dyeing Extracts; Tannins And Their Derivatives, Dyes, Pigments, etc		274	274		0.18	0.17
34-Soap, Organic Surface-Active Agents, Washing Preparations, Lubricating Preparations etcArtificial Waxes, Prepared Waxes, Polishing Or Scouring Prep.		4	4		0.10	0.09
38-Miscellaneous Chemical Products.		123	123		1.24	1.19
39-Plastic And Articles Thereof.		149	149		3.11	2.99
40-Rubber And Articles Thereof.		1	1		0.03	0.03
54-Man-Made Filaments.		1	1			
68-Articles Of Stone, Plaster, Cement, Asbestos, Mica Or Similar Materials.		1	1		0.04	0.04
69-Ceramic Products.		30	30		0.05	0.05
72-Iron And Steel		108	108		0.28	0.27
74-Copper And Articles Thereof.		9	9		0.00	0.00
76-Aluminium And Articles Thereof.		48	48		0.61	0.59
79-Zinc And Articles Thereof.		2	2		0.03	0.03
84-Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.		779	779		6.57	6.32

85-Electrical Machinery And Equipment And Parts Thereof; Sound Recorders, etc.		228	228		1.70	1.63
86-Railway Or Tramway Locomotives, Rolling-Stock And Parts Thereof; etc.		1	1		0.02	0.02
90-Optical, Photographic Cinematographic Measuring, Checking Precision Instruments, etc.		155	155		1.12	1.07
10	13	3988	4001	1.38	23.66	22.81
08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	4		4	1.14		0.04
12-Oil Seeds And Olea. Fruits; Misc. Grains, Seeds And Fruit; Industrial Or Medicinal Plants; Straw And Fodder.	1		1	0.00		0.00
14-Vegetable Plaiting Materials; Vegetable Products Not Elsewhere Specified or Included.	1		1	0.22		0.01
17-Sugars And Sugar Confectionery.	3		3	0.00		0.00
20-Preparations Of Vegetables, Fruit, Nuts Or Other Parts Of Plants.	1		1	0.02		0.00
25-Salt; Sulphur; Earths And Stone; Plastering Materials, Lime And Cement.		42	42		0.09	0.09
27-Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances; Mineral Waxes.		18	18		1.78	1.71
28-Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, etc.		3	3		0.60	0.58
29-Organic Chemicals		3	3		0.32	0.31
30-Pharmaceutical Products		221	221		0.55	0.53
32-Tanning Or Dyeing Extracts; Tannins And Their Derivatives, Dyes, Pigments, etc.		60	60		0.23	0.22
33-Essential Oils And Resinoids; Perfumery, Cosmetic Or Toilet Preparations.		7	7		0.04	0.04
34-Soap, Organic Surface-Active Agents, Washing Preparations, Lubricating Preparations, Artificial Waxes, Prepared Waxes, Polishing Or Scouring Prep.		53	53		0.14	0.14
35-Albuminoidal Substances; Modified Starches; Glues; Enzymes.		23	23		0.08	0.07
36-Explosives; Pyrotechnic Products; Matches; Pyrophoric Alloys; etc.		25	25		0.00	0.00
37-Photographic Or Cinematographic Goods.		99	99		0.03	0.02
38-Miscellaneous Chemical Products.		63	63		0.70	0.67
39-Plastic And Articles Thereof.		192	192		0.93	0.90
40-Rubber And Articles Thereof.		156	156		0.47	0.45
41-Raw Hides And Skins (Other Than Furskins) And Leather		30	30		0.15	0.14
42-Articles Of Leather,Saddlery And Harness;Travel Goods, Handbags, etc.		17	17		0.01	0.01

43-Furskins And Artificial Fur, Manufactures Thereof.		17	17		0.00	0.00
44-Wood And Articles Of Wood; Wood Charcoal.		168	168		0.27	0.26
45-Cork And Articles Of Cork.		10	10		0.00	0.00
46-Manufactures Of Straw, Of Esparto Or Of Other Plaiting Materials; Basketware, etc.		13	13		0.00	0.00
47-Pulp Of Wood Or Of Other Fibrous Cellulosic Material; Waste And Scrap Of Paper, etc.		4	4		0.37	0.35
48-Paper And Paperboard; Articles Of Paper Pulp, Of Paper Or Of Paperboard.		216	216		0.74	0.71
49-Printed Bookds, Newspapers, Pictures And Other Products Of The Printing Industry; Manuscripts, Typescripts And Plans.		24	24		0.05	0.04
50-Silk		18	18		0.05	0.04
51-Wool, Fine Or Coarse Animal Hair, Horsehair Yarn And Woven Fabric.		93	93		0.01	0.01
52-Cotton.		311	311		0.04	0.04
53-Other Vegetable Textile Fibres; Paper Yarn And Woven Fabrics Of Paper Yarn.		48	48		0.05	0.04
54-Man-Made Filaments.		25	25		0.00	0.00
55-Man-Made Staple Fibres.		10	10		0.00	0.00
56-Wadding, Felt And Nonwovens; Spacial Yarns; Twine, Cordage, Ropes And Cables, etc.		45	45		0.03	0.03
57-Carpets And Other Textile Floor Coverings.		15	15		0.00	0.00
58-Special Woven Fabrics; Tufted Textile Fabrics; Lace; Tapestries; Trimmings; Embroidery.		75	75		0.04	0.03
59-Impregnated, Coated, Covered Or Laminated Textile Fabrics; Textile Articles, etc.		48	48		0.04	0.03
60-Knitted Or Crocheted Fabrics.		20	20		0.04	0.03
61-Articles Of Apparel And Clothing Accessories, Knitted Or Corcheted.		11	11		0.00	0.00
62-Articles Of Apparel And Clothing Accessories, Not Knitted Or Crocheted.		7	7		0.00	0.00
63-Other Made Up Textile Articles; Sets; Worn Clothing And Worn Textile Articles; etc.		103	103		0.06	0.06
65-Headgear And Parts Thereof.		14	14		0.01	0.01
66-Umbrellas, Sun Umbrellas, Walking-Sticks, Seat-Sticks, Whips,Riding-Crops And Parts Thereof.		7	7		0.01	0.01
67-Prepared Feathers And Down And Articles Made Of Feathers Or Of Down; etc.		15	15		0.01	0.01
68-Articles Of Stone, Plaster, Cement, Asbestos, Mica Or Similar Materials.		75	75		0.18	0.18
69-Ceramic Products.		32	32		0.07	0.07
70-Glass And Glassware.		101	101		0.32	0.30
71-Natural Or Cultured Pearls,Precious Or Semiprecious Stones, etc.	1	40	41		7.46	7.18

72-Iron And Steel		189	189		0.34	0.33
73-Articles Of Iron Or Steel		259	259		0.83	0.80
74-Copper And Articles Thereof.		27	27		0.03	0.03
76-Aluminium And Articles Thereof.		47	47		0.14	0.14
78-Lead And Articles Thereof.		4	4		0.00	0.00
79-Zinc And Articles Thereof.		2	2		0.00	0.00
80-Tin And Articles Thereof.	2	2	4		0.00	0.00
81-Other Base Metals; Cermets; Articles Thereof.		20	20		0.03	0.03
82-Tools Implements, Cutlery, Spoons And Forks, Of Base Metal; Parts Thereof, etc.		99	99		0.27	0.26
83-Miscellaneous Articles Of Base Metal.		48	48		0.10	0.09
84-Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.		90	90		0.61	0.59
85-Electrical Machinery And Equipment And Parts Thereof; Sound Recorders, etc.		240	240		3.34	3.21
86-Railway Or Tramway Locomotives, Rolling-Stock And Parts Thereof; etc.		41	41		0.15	0.15
87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		46	46		0.07	0.06
88-Aircraft, Spacecraft, And Parts Thereof.		14	14		0.05	0.05
89-Ships, Boats And Floating Structures.		19	19		1.34	1.29
90-Optical, Photographic Cinematographic Measuring, Checking Precision, etc.		74	74		0.17	0.17
91-Clocks And Watches And Parts Thereof.		27	27		0.02	0.02
92-Musical Instruments; Parts And Accessories Of Such Articles.		19	19		0.02	0.01
93-Arms And Ammunition; Parts And Accessories Thereof.		20	20		0.02	0.01
94-Furniture; Bedding, Mattresses, Mattress Supports, Cushions, etc.		12	12		0.02	0.02
95-Toys, Games And Sports Requisites; Parts And Accessories Thereof.		1	1			
96-Miscellaneous Manufactured Articles.		92	92		0.14	0.14
97-Works Of Art Collectors' Pieces And Antiques.		14	14		0.02	0.02
98-Project Goods; Some Special Uses.		5	5		0.01	0.01
12.5		183	183		11.38	10.94
71-Natural Or Cultured Pearls,Precious Or Semiprecious Stones,Pre.Metals, etc		24	24		10.30	9.91
72-Iron And Steel		159	159		1.08	1.03
15	131	273	404	1.17	5.14	4.98
05-Products Of Animal Origin, Not Elsewhere Specified Or Included.	1		1	0.17		0.01
08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	9		9	0.13		0.00

11-Products Of The Milling Industry; Malt; Starches; Inulin; Wheat Gluten.	1		1	0.09		0.00
12-Oil Seeds And Oleaginous. Fruits; Misc. Grains, Seeds And Fruit; etc	49		49	0.30		0.01
13-Lac; Gums, Resins And Other Vegetable Saps And Extracts.	14		14	0.24		0.01
15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; etc	8		8	0.01		0.00
23-Residues And Waste From The Food Industries; Prepared Animal Fodder.	49		49	0.22		0.01
39-Plastic And Articles Thereof.		76	76		0.53	0.51
40-Rubber And Articles Thereof.		3	3		0.02	0.02
42-Articles Of Leather,Saddlery And Harness;Travel Goods, Handbags, etc.		44	44		0.13	0.12
43-Furskins And Artificial Fur, Manufactures Thereof.		4	4		0.00	0.00
50-Silk		5	5		0.00	0.00
64-Footwear, Gaiters And The Like; Parts Of Such Articles.		12	12		0.01	0.01
68-Articles Of Stone, Plaster, Cement, Asbestos, Mica Or Similar Materials.		4	4		0.01	0.01
69-Ceramic Products.		7	7		0.02	0.02
70-Glass And Glassware.		4	4		0.02	0.02
73-Articles Of Iron Or Steel		1	1			
83-Miscellaneous Articles Of Base Metal.		14	14		0.10	0.10
84-Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.		32	32		0.40	0.39
85-Electrical Machinery And Equipment And Parts Thereof; Sound Recorders, etc.		36	36		3.15	3.03
87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		30	30		0.73	0.70
90-Optical, Photographic Cinematographic Measuring, Checking Precision, etc.		1	1			
20	11	1226	1237	4.46	5.16	5.13
08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	2		2	1.75		0.07
12-Oil Seeds And Olea. Fruits; Misc. Grains, Seeds And Fruit, etc	1		1	0.32		0.01
13-Lac; Gums, Resins And Other Vegetable Saps And Extracts.	4		4	1.74		0.07
15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; etc.	1		1			

23-Residues And Waste From The Food Industries; Prepared Animal Fodder.	2		2	0.65		0.02
29-Organic Chemicals		3	3		0.02	0.02
33-Essential Oils And Resinoids; Perfumery, Cosmetic Or Toilet Preparations.		117	117		0.25	0.24
35-Albuminoidal Substances; Modified Starches; Glues; Enzymes.		14	14		0.03	0.02
38-Miscellaneous Chemical Products.		2	2		0.00	0.00
40-Rubber And Articles Thereof.		2	2		0.00	0.00
48-Paper And Paperboard; Articles Of Paper Pulp, Of Paper Or Of Paperboard.		1	1		0.01	0.01
50-Silk		5	5		0.01	0.01
53-Other Vegetable Textile Fibres; Paper Yarn And Woven Fabrics Of Paper Yarn.		9	9		0.02	0.02
54-Man-Made Filaments.		171	171		0.26	0.25
55-Man-Made Staple Fibres.		165	165		0.24	0.23
56-Wadding, Felt And Nonwovens; Special Yarns; Twine, Cordage, Ropes And Cables, etc.		7	7		0.07	0.06
57-Carpets And Other Textile Floor Coverings.		64	64		0.02	0.02
58-Special Woven Fabrics; Tufted Textile Fabrics; Lace; Tapestries; Trimmings; Embroidery.		10	10		0.01	0.01
59-Impregnated, Coated, Covered Or Laminated Textile Fabrics; Textile Articles, etc.		20	20		0.20	0.20
60-Knitted Or Crocheted Fabrics.		23	23		0.12	0.12
61-Articles Of Apparel And Clothing Accessories, Knitted Or Corched.		180	180		0.10	0.10
62-Articles Of Apparel And Clothing Accessories, Not Knitted Or Crocheted.		199	199		0.08	0.08
63-Other Made Up Textile Articles; Sets; Worn Clothing And Worn Textile Articles; etc.		12	12		0.05	0.05
71-Natural Or Cultured Pearls,Precious Or Semiprecious Stones,etc.		26	26		0.20	0.19
80-Tin And Articles Thereof.	1		1			
84-Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.		17	17		0.29	0.28
85-Electrical Machinery And Equipment And Parts Thereof; Sound Recorder, etc.		17	17		2.46	2.36
87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		8	8		0.00	0.00
90-Optical, Photographic Cinematographic Measuring, Checking Precision, etc.		1	1		0.02	0.02
91-Clocks And Watches And Parts Thereof.		30	30		0.08	0.08
94-Furniture; Bedding, Mattresses, Mattress Supports, Cushions, etc.		59	59		0.43	0.42

95-Toys, Games And Sports Requisites; Parts And Accessories Thereof.		55	55		0.18	0.17
96-Miscellaneous Manufactured Articles.		9	9		0.01	0.01
25	7	272	279	0.04	0.87	0.84
08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	3		3	0.04		0.00
17-Sugars And Sugar Confectionery.	4		4			
34-Soap, Organic Surface-Active Agents, Washing Preparations, Lubricating Preparations, Artificial Waxes, Prepared Waxes, Polishing Or Scouring Prep.		2	2		0.00	0.00
40-Rubber And Articles Thereof.		7	7		0.24	0.23
52-Cotton.		114	114		0.20	0.19
54-Man-Made Filaments.		49	49		0.02	0.02
55-Man-Made Staple Fibres.		27	27		0.02	0.02
58-Special Woven Fabrics; Tufted Textile Fabrics; Lace; Tapestries; Trimmings; Embroidery.		4	4		0.00	0.00
60-Knitted Or Crocheted Fabrics.		4	4		0.00	0.00
62-Articles Of Apparel And Clothing Accessories, Not Knitted Or Crocheted.		1	1		0.00	0.00
64-Footwear, Gaiters And The Like; Parts Of Such Articles.		57	57		0.19	0.18
73-Articles Of Iron Or Steel		2	2		0.20	0.20
89-Ships, Boats And Floating Structures.		5	5		0.00	0.00
30	886	284	1170	18.29	0.05	0.75
01-Live Animals.	44		44	0.05		0.00
02-Meat And Edible Meat Offal.	67		67	0.03		0.00
03-Fish And Crustaceans, Molluscs And Other Aquatic Invertebrates.etc		272	272		0.02	0.02
04-Dairy Produce; Birds' Eggs; Natural Honey; Edible Prod. Of Animal Origin, etc.	38		38	0.12		0.00
05-Products Of Animal Origin, Not Elsewhere Specified Or Included.	69		69	0.25		0.01
06-Live Trees And Other Plants; Bulbs; Roots And The Like; Cut Flowers, etc.	2		2	0.00		0.00
07-Edible Vegetables And Certain Roots And Tubers.	83		83	2.74		0.10
08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	69		69	2.88		0.11
09-Coffee, Tea, Mate And Spices.	67		67	1.82		0.07
11-Products Of The Milling Industry; Malt; Starches; Inulin; Wheat Gluten.	36		36	0.52		0.02
12-Oil Seeds And Oleaginous Fruits; Misc. Grains, Seeds And Fruit; Industrial Or Medicinal Plants; Straw And Fodder.	52		52	2.03		0.08

13-Lac; Gums, Resins And Other Vegetable Saps And Extracts.	33		33	0.44		0.02
14-Vegetable Plaiting Materials; Vegetable Products Not Elsewhere Specified Or Included.	14		14	0.35		0.01
15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats, etc.	34		34	0.15		0.01
16-Preparations Of Meat, Of Fish Or Of Crustaceans, Molluscs Or Other Aquatic, etc.	45		45	0.03		0.00
17-Sugars And Sugar Confectionery.	24		24	0.19		0.01
18-Cocoa And Cocoa Preparations.	15		15	1.32		0.05
19-Preparations Of Cereals, Flour, Starch Or Milk; Pastrycooks Products.	30		30	0.37		0.01
20-Preparations Of Vegetables, Fruit, Nuts Or Other Parts Of Plants.	57		57	0.47		0.02
21-Miscellaneous Edible Preparations.	29		29	0.34		0.01
22-Beverages, Spirits And Vinegar.	16		16	0.81		0.03
23-Residues And Waste From The Food Industries; Prepared Animal Fodder.	17		17	3.03		0.12
24-Tobacco And Manufactured Tobacco Substitutes.	42		42	0.35		0.01
38-Miscellaneous Chemical Products.		2	2		0.00	0.00
42-Articles Of Leather,Saddlery And Harness;Travel Goods, Handbags,etc.		1	1		0.00	0.00
50-Silk		1	1		0.00	0.00
52-Cotton.		1	1		0.00	0.00
53-Other Vegetable Textile Fibres; Paper Yarn And Woven Fabrics Of Paper Yarn.		6	6		0.02	0.02
80-Tin And Articles Thereof.	3		3			
87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		1	1		0.01	0.01
35	45	1	46	33.00		1.26
09-Coffee, Tea, Mate And Spices.	5		5	0.87		0.03
15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxex.	40		40	32.13		1.23
98-Project Goods; Some Special Uses.		1	1			
40	10	68	78	1.26	0.04	0.09
04-Dairy Produce; Birds' Eggs; Natural Honey; Edible Prod. Of Animal Origin, etc.	4		4	0.00		0.00
07-Edible Vegetables And Certain Roots And Tubers.	2		2	1.25		0.05
10-Cereals.	2		2	0.01		0.00
15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats, etc.	1		1			
21-Miscellaneous Edible Preparations.	1		1			

25-Salt; Sulphur; Earths And Stone; Plastering Materials, Lime And Cement.		1	1			
68-Articles Of Stone, Plaster, Cement, Asbestos, Mica Or Similar Materials.		6	6		0.02	0.02
87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		61	61		0.02	0.02
45	31		31	0.30		0.01
12-Oil Seeds And Oleaginous Fruits; Misc. Grains, Seeds And Fruit; Industrial Or Medicinal Plants; Straw And Fodder.	1		1	0.00		0.00
15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; etc.	29		29	0.24		0.01
20-Preparations Of Vegetables, Fruit, Nuts Or Other Parts Of Plants.	1		1	0.06		0.00
50	41		41	5.04		0.19
07-Edible Vegetables And Certain Roots And Tubers.	3		3			
08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	2		2	4.20		0.16
10-Cereals.	16		16	0.38		0.01
11-Products Of The Milling Industry; Malt; Starches; Inulin; Wheat Gluten.	3		3	0.00		0.00
19-Preparations Of Cereals, Flour, Starch Or Milk; Pastrycooks Products.	2		2	0.19		0.01
20-Preparations Of Vegetables, Fruit, Nuts Or Other Parts Of Plants.	15		15	0.26		0.01
54	4		4	10.97		0.42
15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxex.	4		4	10.97		0.42
60	18		18	0.38		0.01
04-Dairy Produce; Birds' Eggs; Natural Honey; Edible Prod. Of Animal Origin, etc.	5		5	0.03		0.00
06-Live Trees And Other Plants; Bulbs; Roots And The Like; Cut Flowers, etc.	7		7	0.02		0.00
07-Edible Vegetables And Certain Roots And Tubers.	4		4	0.33		0.01
24-Tobacco And Manufactured Tobacco Substitutes.	2		2	0.00		0.00
70	39	2	41	3.41	0.00	0.13
07-Edible Vegetables And Certain Roots And Tubers.	1		1	0.00		0.00

08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	8		8	2.15		0.08
09-Coffee, Tea, Mate And Spices.	26		26	1.14		0.04
10-Cereals.	3		3	0.03		0.00
12-Oil Seeds And Oleaginous. Fruits; Misc. Grains, Seeds And Fruit; Industrial or Medicinal Plants; Straw And Fodder.	1		1	0.08		0.00
40-Rubber And Articles Thereof.		2	2		0.00	0.00
80	8		8	0.01		0.00
10-Cereals.	4		4	0.00		0.00
15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxex.	4		4	0.00		0.00
100	72	23	95	5.49	0.01	0.22
02-Meat And Edible Meat Offal.	2		2	0.00		0.00
07-Edible Vegetables And Certain Roots And Tubers.	1		1	0.00		0.00
08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	7		7	0.93		0.04
09-Coffee, Tea, Mate And Spices.	48		48	1.28		0.05
10-Cereals.	1		1			
16-Preparations Of Meat, Of Fish Or Of Crustaceans, Molluscs Or Other Aquatic, etc.	2		2	0.00		0.00
17-Sugars And Sugar Confectionery.	10		10	3.17		0.12
22-Beverages, Spirits And Vinegar.	1		1	0.10		0.00
87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		23	23		0.01	0.01
125		63	63		0.08	0.07
87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		63	63		0.08	0.07
150	63		63	2.57		0.10
21-Miscellaneous Edible Preparations.	12		12	0.49		0.02
22-Beverages, Spirits And Vinegar.	51		51	2.08		0.08
200		1	1			
98-Project Goods; Some Special Uses.		1	1			
Grand Total	1432	10407	11839	100.00	100.00	100.00

Source: Author's computation based on data extracted from Custada.in for tariff data and DoC for import data. Note: Items for only Basic Custom Duty (AV and NTFN) were taken. Imports share is only for those whose BCD is given, rest are excluded. Agricultural items mean all items code from 01 to 24 at 2HS excluding 03. The rest of the 2HS codes other than Agricultural items are Non-agricultural products.

**Annexure 3: India's Different Tariff Rates and Major items :
Tariff Line wise (8 HS) in 2019-20 with 2018-19 Import Share**

Tariff Rates	8 HS Code	Item	Share in India's Imports (%)
0	84717020	Winchester/Hard Disc Drives	0.130
	84717090	Others	0.072
	85176930	Routers	0.113
	85238020	Discs With Information Technology Software	0.212
	85423100	Monolithic Integrated Circuits - Digital	1.278
	85423200	Memories	0.508
	85429000	Parts Of Electronic Integrated Circuits And Micro Assemblies	0.131
2	29025000	Styrene	0.573
	29032100	Vinyl Chloride (Chloroethylene)	0.195
2.5	08013100	Cashew Nuts Fresh/Dried In Shell	0.419
	26011142	55% Fe Or More But Below 58% Fe	0.066
	26020040	Manganese Ore (<40 But >=35%)	0.051
	26121000	Uranium Ores And Concentrates	0.071
	27011100	Anthracite Coal	0.157
	27011200	Bituminous Coal	0.562
	27011910	Coking Coal	2.775
	27011920	Steam Coal	2.820
	27011990	Other Coal	0.347
	27075000	Other Aromatic Hydrocarbon Mixtures	0.104
	27111100	Liquified Natural Gas	2.846
	27111200	Liquified Propane	0.947
	27111300	Liquified Butanes	1.161
	29011000	Saturated Acyclic Hydrocarbons	0.213
	29023000	Toluene	0.091
	29029090	Other Cyclic Hydrocarbons	0.086
	29261000	Acrylonitrile	0.094
	51011900	Other Wool	0.058
	72026000	Ferro-Nickel	0.094
	74040022	Brass Scrap	0.157
	76020010	Aluminium Scrap	0.665
	85371000	Bords Etc For A Voltage <=1000 VIts	0.160
	88033000	Other Parts	0.090
5	25030010	Sulphur Recovered As By-Product In Refining Of Crude	0.057
	25101010	Natural Calcium Phosphates Unground	0.103
	25102010	Natural Calcium Phosphates Ground	0.114
	25210090	Limestone Other Than Limestone Flux	0.081
	27040090	Other Cokes Of Coal	0.455
	27101920	Aviation Turbine Fuel (ATF)	0.054

	27111100	Liquified Natural Gas	2.846
	27111200	Liquified Propane	0.947
	27132000	Petroleum Bitumen	0.083
	28092010	Phosphoric Acid	0.567
	28182010	Alumina Calcined	0.365
	28182090	Other Aluminium Oxide	0.093
	29051100	Saturated Methanol (Methyl Alcohol)	0.400
	29053100	Ethylene Glycol	0.286
	29161210	Butyl Acrylate	0.082
	29173600	Terephthalic Acid And Its Salts	0.262
	31021000	Urea Whether Or Not In Aqueous Solution	0.506
	31052000	Mineral/Chemical Fertilisers	0.062
	31053000	Diammonium Hydrogenorthophosphate	0.795
	38159000	Other Reaction Initiators Etc	0.094
	39069090	Others Acrylic Polymers In Primary Forms	0.129
	39074000	Polycarbonates	0.142
	44034910	Teak Wood In Rough	0.096
	44039990	Other	0.101
	47020000	Chemical Wood Pulp Dissolving Grades	0.135
	47032100	Bleached Or Semi-Bleached Coniferous Chemical Wood Pulp	0.060
	47032900	Bleached Or Semi-Bleached Non-Coniferous Chemical Wood Pulp	0.084
	72022100	Ferro-Silicon Containing>55% Of Silicon	0.069
	72044900	Other Waste And Scrap	0.543
	72251100	Flat-Rolled Products	0.136
	74020010	Blister Copper For Electrolytic Refining	0.080
	74020090	Other Unrefined Copper;Copper Anodes	0.148
	74040012	Copper Scrap	0.094
	74081190	Other Copper Wire	0.171
	74081990	Others With Cross Section<=6mm	0.288
	75021000	Nickel,Not Alloyed	0.139
	78011000	Refined Lead	0.074
	78020010	Lead Scrap	0.053
	79011100	Zinc,Not Alloyed	0.092
	79020010	Zinc Scrap	0.063
	80011090	Anodes Cathodes Ingots Pigs Slabs and Other Primary Form	0.058
	84223000	Machinery For Filling,Closing,Sealing,Capsuling	0.136
	84463090	Others	0.089
	85076000	Lithium-Ion	0.991
	98010011	Industrial Plant Project	0.070
	98010013	Power Project	0.316
	98010019	Other Projects	0.149
7.5	28030010	Carbon Blacks	0.093

28141000	Anhydrous Ammonia	0.247
29071110	Phenol,Pure Carbolic Acid	0.082
29152100	Acetic Acid	0.163
29153200	Vinyl Acetate	0.052
29269000	Other Nitrile-Function Compounds	0.051
29291090	Other Isocyanates	0.053
29319090	Other	0.071
29333990	Other Compounds	0.058
29335990	Other Compounds	0.091
29339900	Other Heterocyclic Compounds With Nitrogen	0.178
29349900	Other Heterocyclic Compounds	0.112
29411050	6 - Apa	0.060
29419090	Other Antibiotics	0.111
29420090	Other Diloxanide Furoate, Cimetidine, Famotidine Nes	0.100
31042000	Potassium Chloride	0.320
38159000	Other Reaction Initiators Etc	0.094
38170011	Linear Alkylbenzene	0.081
38231900	Other Industrial Monocarboxylic Fatty Acid	0.108
38249990	Other	0.400
39011010	Linear Low Density Polyethylene	0.087
39011090	Other Polyethylene Having A Specific Gravity < 0.94	0.120
39012000	Polyethylene Having A Specific Gravity 0.94 /More	0.218
39013000	Ethylene-Vinyl Acetate Copolymers	0.078
39019090	Other Polymers of Ethylene In Primary Forms	0.118
39021000	Polypropylene	0.207
39023000	Propylene Copolymers	0.093
39033000	Acrylonitrile-Butadiene Styrene Co-polymers	0.067
39041090	Other Poly Vinyl Chloride	0.488
39049000	Other Polymers Of Vinyl Chloride	0.061
39069090	Others Acrylic Polymers In Primary Forms	0.129
39072010	Poly (Ether Alcohols)	0.063
39072090	Other Polyether's Nes	0.071
39074000	Polycarbonates	0.142
39076990	Other	0.057
39079990	Other Polyesters (Saturated) Nes	0.065
39093100	Poly(Methylene Phenyl Isocyanate)	0.058
39095000	Polyurethanes	0.091
39100090	Others	0.063
39199090	Other Self-Adhesive Plats Etc Nes	0.100
76012010	Aluminium Ingots -Alloyed	0.136
76051100	Aluminium Wire-Not Alloyed	0.050
76061190	Others	0.086

	76061200	Rectangular(Including Square)Plates Etc.Of Aluminium Alloys	0.072
	76071190	Other Aluminium Foil Rolled	0.073
	84099990	Other Parts of Semi Diesel Engines	0.164
	84111200	Turbo-Jets of A Thrust>25 Kn	0.726
	84122990	Others	0.051
	84139190	Others	0.085
	84149090	Others	0.071
	84261900	OtherTransporter Cranes, etc	0.054
	84289090	Others	0.070
	84314390	Parts Of Boring/Sinking Machinery,Not Self-Propelled	0.066
	84314990	Parts Of Other Machinery Of Head 8426,8429,8430	0.148
	84433100	Machines Which Perform Two Or More Of The Functions Of Print	0.101
	84522900	Other Sewing Machines	0.052
	84571010	Machining Centres Horizontal	0.078
	84571020	Machining Centres - Vertical	0.055
	84771000	Injection-Moulding Machines	0.059
	84778090	Other Machinery For Working Rubber/Plastic	0.079
	84779000	Parts Of Machines Of Working Rubber/Plastic	0.056
	84795000	Industrial Robots	0.063
	84798999	Other	0.324
	84807100	Injection/Compression Type Moulds For Rubber/Plastics	0.074
	84807900	Other Moulds for Rubber/Plastics	0.068
	84818090	Others	0.200
	84819090	Other Parts of The Items Under Heading 8481	0.087
	84821090	Other Ball Bearings	0.071
	85371000	Bords Etc For A Voltage<=1000 VIts	0.160
	85389000	Other Parts Of Heading 8538	0.170
	85423900	Other	0.436
	85437099	Others	0.110
	90183990	Others	0.062
	90229090	Others	0.072
	90329000	Parts and Accessories Of Instruments Of 9032	0.065
10	27101219	Other	0.126
	27101290	Other	0.172
	27101950	Fuel Oil	0.156
	27101960	Base Oil	0.460
	27101990	Other Petroleum Oils and Oils Obtained Frombituminous Minerals	0.363
	27131100	Petroleum Coke Not Calcined	0.248
	27131200	Petroleum Coke Calcined	0.150
	28092010	Phosphoric Acid	0.567
	29024300	P-Xylene	0.249
	29031500	1,2 Dichloromethane (Ethylene Dichloride)	0.054

30049099	Other Medicine Put Up For Retail Sale N.E.S	0.171
32061190	Pearlsnot Pigmented Coated	0.095
38089199	Other Insecticide Nes	0.092
38089910	Pesticides, Not Elsewhere Specified Or Inc	0.063
38089990	Other Similar Products N.E.S.	0.093
38220090	Others	0.203
39081090	Others	0.098
39199090	Other Self-Adhesive Plates Etc Nes	0.100
39209999	Others Plate/ Sheets Etc. Of Other Plastic N.E.S	0.104
39269099	Other Article of Plastic Nes	0.175
40022000	Butadiene Rubber (Br)	0.053
47079000	Other Including Unsorted Waste and Scrap	0.349
48010090	Other Newsprints	0.251
48101990	Other	0.076
71023100	Non-Industrial Diamonds Unworked/Simply Sawn Cleaved	4.205
71023910	Diamond(Other than Industrial Diamond)Cut or Otherwise Worked	2.606
71031011	Emeralds,Uncut	0.057
71031012	Ruby And Sapphire,Uncut	0.061
71039990	Other Stone Cut(Topaz Aquamarine Etc)	0.091
71049010	Laboratory-Created Or Laboratory Grown Or Manmade Or Culture	0.071
76169990	Others Articles of Aluminium N.E.S.	0.076
82073000	Tools For Pressing Stamping Or Punching	0.055
84143000	Compressors Used In Refrigerating Equipment	0.070
84148011	Gas Compressors of akind used in Air-Conditioning	0.097
84159000	Parts of The Air Conditioning Machines Etc	0.105
84213990	Others	0.066
85049090	Parts Of Other Electric Power Machinery Of Heading 8504	0.123
85076000	Lithium-Ion	0.330
85079090	Other Parts	0.054
85176290	Other	1.431
85219090	Other Video Recording/Reproducing Apparatus	0.065
85235100	Solid-State Non-Volatile Storage Devices	0.083
85258020	Digital Cameras	0.160
85258090	Other	0.239
85285200	Other Monitors	0.093
86021000	Diesel-Electric Locomotives	0.065
89012000	Tankers	0.071
89040000	Tugs And Pusher Craft	0.115
89051000	Dredgers	0.188
89052000	Floating/Submersible Drilling/Production Platforms	0.163
89059090	Other Under Heading 8905	0.643
89069000	Other Under Heading 8906	0.076

12.5	71069100	Unwrought Silver	0.937
	71069290	All Other Semi Manufactured Forms of Silver	0.070
	71081200	Other Non-Monetary Unwrought Forms of Gold	8.811
	72083840	Strips Of Flat-Rolled Products in Coils of thickness >=3 But < 4.7	0.074
	72083930	Sheets Of Flat-Rolled Products in Coils of thickness < 3 Mm Hot-	0.057
	72085110	Plates Of Flat-Rolled Products Not in Coils of thickness Excd 10 M	0.063
	72091790	Other Flat Rolled Products In Coils Not Further Worked	0.054
	72104900	Other Products Of Iron/Non-Alloy Steel Otherwise Plated/Coated	0.092
	72106100	Flat-Rolled Products Of Iron/Non Alloy Steel Plated/Coated Aluminium	0.054
	72107000	Products Painted, Varnished/Coated With Plastics	0.056
	72254019	Other Quality Of Thickness > 4.75 Mm	0.073
15	39199090	Other Self-Adhesive Plates Etc Nes	0.100
	39209999	Others Plate/ Sheets Etc. Of Other Plastic N.E.S	0.104
	39269099	Other Article Of Plastic Nes	0.175
	84073410	Spark-Ignition Engines For Motor Cars	0.117
	84082020	Engines Of Cylinder Capacity > 250 Cc	0.056
	85044090	Others	0.206
	85076000	Lithium-Ion	0.660
	85177090	Other Parts Of Telephonic/Telegraphic Apparatus	1.780
	85182900	Other Loud Speakers, W/N Mounted	0.075
	87083000	Mounted Brake Linings	0.060
	87084000	Gear Boxes	0.289
	87085000	Drive Axles with Differential	0.061
	87141090	Parts and Accessories Of Motorcycle Excluding Saddle	0.138
20	13019013	Asafoetida	0.060
	33012590	Others	0.074
	71131930	Jewellery of Gold Set With Diamond	0.101
	84159000	Parts of The Air Conditioning Machines Etc	0.105
	85171210	Push Button Type	0.105
	85171290	Other	0.330
	85176290	Other	1.431
	85176990	Other Apparatus, For Carrier/Digital Line System	0.142
	85287100	Other Reception Apparatus For Tv Etc Colour	0.105
	85287217	Colour Tv Set Of Screen Size > 105 Cm	0.097
	85287219	Other LCD Tv Set	0.113
	94019000	Other Seats Of Heading 9401	0.054
	94054090	Other Electric Lamps And Lighting Fittings	0.098
	95030030	Dolls Of Plastic	0.053
25	40012200	Technically Specified Natural Rubber	0.189
	52010020	Foreign Cotton Of All Staple Lengths	0.165
	73269099	All Other Articles Of Iron/Steel Nes	0.197

30	07133110	Beans of The Species Vigna Mungo (L.) Hepper	0.072
	23099090	Other Preparations Of Animal Feeding	0.052
35	15071000	Soya Bean Crude Oil W/N Degummed	0.631
	15121110	Sunflower Seed Oil Crude	0.526
50	08081000	Apples Fresh	0.161
54	15119020	Refined Bleached Deodarised Palmolein	0.403
70	08081000	Apples Fresh	0.080
100	17011490	Other Cane Sugar	0.119

Source: Author's computation based on data extracted from Custada.in for tariff data and DoC for import data.

Note: Items for only Basic Custom Duty (AV and NTFN) were taken. Imports share is only for those whose BCD is given, rest are excluded. Agricultural items mean all items code from 01 to 24 at 2HS excluding 03. The rest of the 2HS codes other than Agricultural items are Non-agricultural products.

*Only items at 8 digit level with a share in imports more than 0.05% to total imports whose BCD rates are available have been given here.



Tariff Escalations/Tariff Wars: Impact of US-China Trade War and US-India Trade Conflict

The Chapter begins by making a brief historical review of Tariff Escalations and Tariff/Trade Wars/Conflicts and examines the recent Trade Tensions between the US and other countries. Two developments of relevance to India in this context are the US-China Trade war; and the tariff escalations between the US and India. These are examined in detail using empirical data supported by the practical experiences of different stakeholders.

3.1 Tariff Escalations and Tariff Wars: Some important Landmark Events

Tariff escalation/Tariff War is an economic conflict between two countries in which one Country raises tariffs on another Country's imports for varied reasons including cheap imports, surge imports, etc. and the other country, in turn, raises its tariffs on the imports from the first country in retaliation. The increased tax rate is designed to hurt the other country economically, as tariffs discourage people from buying products from the other country by raising the total cost of those products. Sometimes, a trade war may be a part of an actual war. Sometimes, a country might express its displeasure with one of its trading partners' political decisions by raising tariffs or restricting imports of the commodity of export interest to the trading partner as in the case of refined palm oil imports of India from Malaysia. This has not grown into a full-blown trade conflict or war as Malaysia has refrained from retaliating, but trade diversion is taking place on both sides. India has not renewed the restriction which lasted till 2nd March, 2020.

Since the US passing the Smoot-Hawley Tariff Act in 1930 raising U.S. import tariffs to protect American businesses from foreign competition which resulted in the Great Depression to the recent US-China Tariff war in 2018-19, there have been many Trade Wars and Conflicts (Chart 1).

Chart 1: Some Important Trade Wars/Conflicts

1930	Smoot-Hawley Tariffs spark Retaliation and the Great Depression	The United States enacts the Smoot-Hawley Act in 1930, levying tariffs of 50% on imported goods. The Great Depression begins. Efforts by the League of Nations in 1927 prove fruitless in the face of global economic uncertainty. Nationalism begins to rise again after staying quelled during the 1920s.
1950	Korean War freezes all US and Chinese Trade	North Korea, supported by China and the Soviet Union, invades South Korea which is in turn supported by the United States. Trade between US and China is frozen.
1961	Protectionism Returns with 'Chicken Wars'	European-US 'Chicken Wars' break out after France and West Germany place tariffs on imported chickens from the US, prompting the US to retaliate with a 25% tax on imports of potato starch, dextrin, brandy and light trucks. The so-called chicken tax made it cost-prohibitive for automakers to import light trucks to the US.

1973	Yom Kippur War and Arab Oil Embargo	Arab Nations Embargo on oil for US, UK, Canada, Netherlands for their support to Israel in Yom Kippur War.
1980	US Embargos Grain as the Soviet Union Invades Afghanistan	The US places an embargo on grain exports to the Soviet Union in response to the Soviet invasion of Afghanistan.
1985	The US and Europe go on Pasta War	The US and European states go on 'Pasta War' as the US imposes tariffs on European Pasta in retaliation to discrimination against US Citrus products. Europe retaliates with higher tariffs before both countries eventually agree to end the dispute in 1987.
2018	Tariff Wars Start Anew	Recoiling from decades of expanded trade, protectionist policies come to the fore as the United States imposes tariffs on goods and services produced by major trade partners. China, the European Union, and other major economies predictably retaliate with tariffs of their own.

Sources: Compiled from various sources.

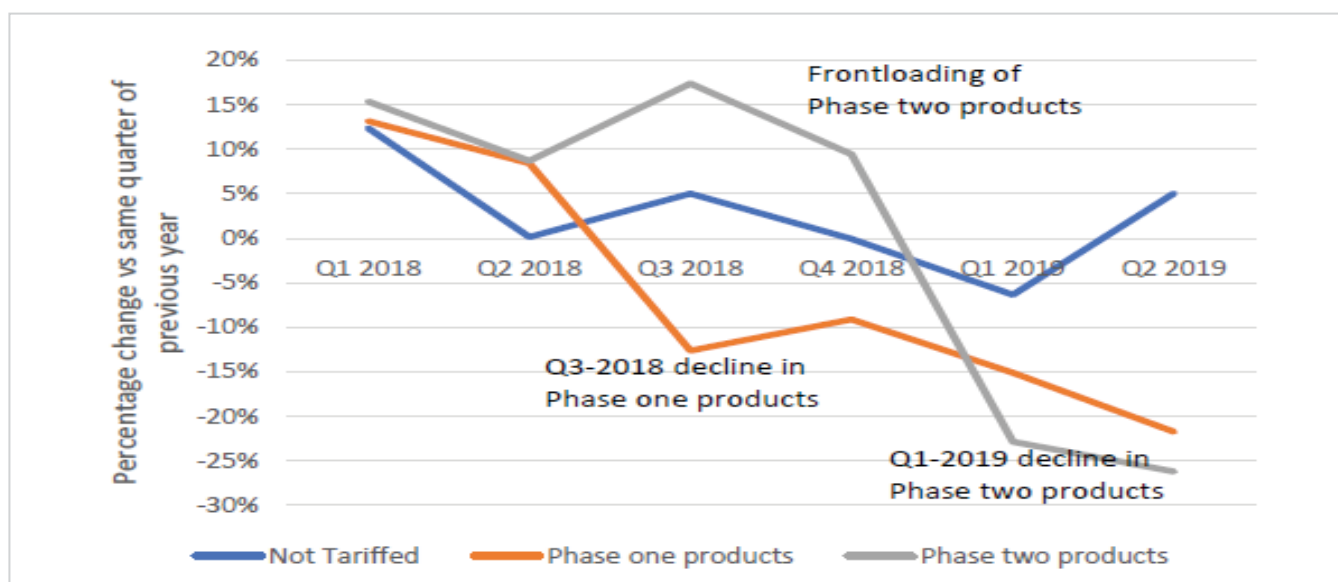
3.2 US Trade War with China and Its Impact on India

The recent Trade war between the US and China since mid-2018 which has resulted in several rounds of retaliatory tariffs has been examined in some recent studies like the UNCTAD study (UNCTAD 2019), Bown CP (PIIE 2019), etc. Since these recent studies have examined this aspect in detail, separate exercises have not been made here to examine this issue. Instead, we have tried to examine this aspect with the help of the recent UNCTAD study along with the experiences of stakeholders in India.

As stated in the UNCTAD study, the United States administration started implementing a series of trade measures aimed at curtailing imports, first targeting specific products (steel, aluminum, solar panels and washing machines) and then specifically targeting imports from China. The first phase of the United States-China trade confrontation occurred in the early summer of 2018 when the United States and China raised tariffs on about US\$ 50 billion of each other's goods. The impossibility of finding common ground to resolve the issues of trade balances and intellectual property rights resulted in the further deterioration of the United States-China trade relationship. The United States administration introduced additional tariffs in September 2018 to cover US\$ 200 billion of Chinese imports, to which China retaliated by imposing tariffs on imports from the United States worth an additional US\$ 60 billion. While these tariffs were initially due to increase from 10 to 25 percent in January 2019, in early December 2018 the parties agreed to hold off any retaliatory actions until March 2019. This truce held until June 2019 when the United States went ahead with the planned increase in tariffs from 10 percent to 25 percent, to which China responded by raising the tariffs on a subset of the products which were already subject to tariffs. The retaliation further escalated in September 2019 when the United States imposed 15 percent tariffs on a large subset of the remaining US\$ 300 billion of imports from China not yet subject to tariffs. Thus the US tariffs applied exclusively to Chinese goods totaled to \$550 billion.

The findings in the UNCTAD research paper indicate, that United States tariffs against China have resulted in a reduction in imports of the tariffed products by more than 25 percent (Figure 3.1). As can be seen in Figure 3.1, US imports from China started to decline soon after the imposition of the tariffs, especially for products covered under phase 1. While for products covered under phase 2, the decline started in the first quarter of 2019. Imports of non-tariffed items were more stable and increased during Q2 2019.

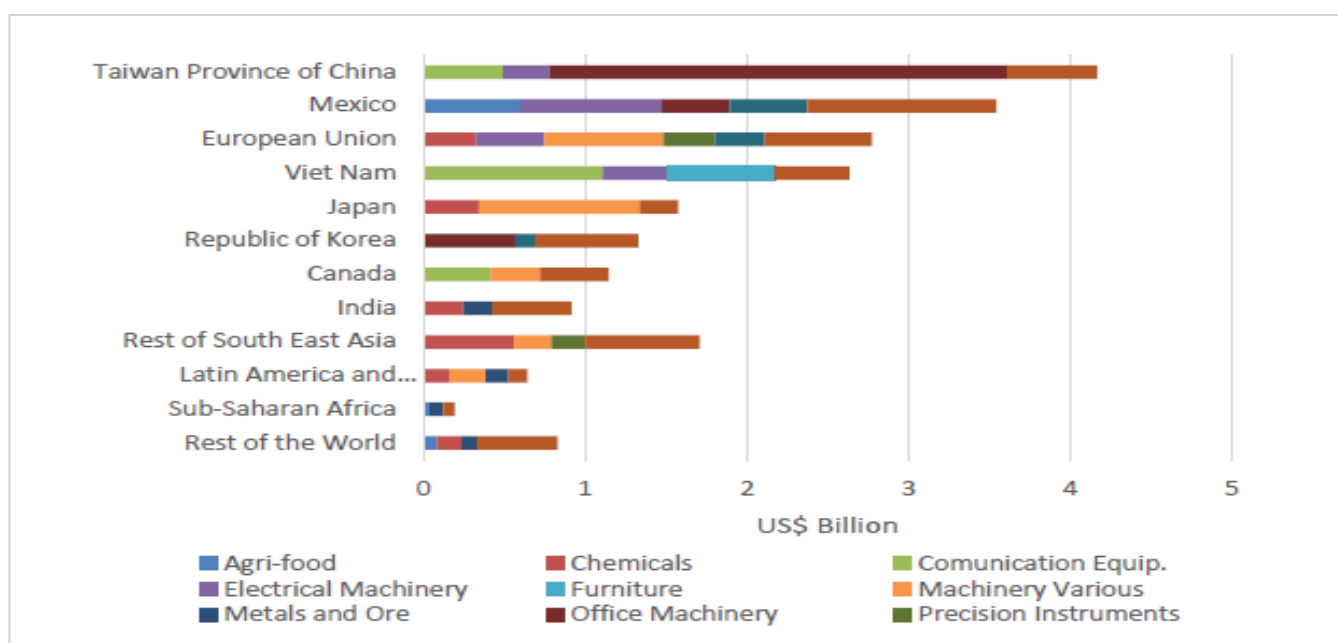
Figure 3.1 US Imports from China of Tariffed products (percentage change)



Source: UNCTAD Research Paper No.37 2019/9

The analysis also finds out that China's export losses in the United States have resulted in trade diversion effects to the advantage of Taiwan Province of China, Mexico, the European Union and Vietnam among others. (Figure 3.2)

Figure 3.2 US Tariffs on China: Trade Diversion effects (H1 2019)



Source: UNCTAD Research Paper No.37 2019/9

Taiwan Province of China was the largest beneficiary of the trade diversion effects of United States tariffs on China, accounting for additional exports to the United States of almost US\$ 4.2 billion in the first half of 2019 and the benefits to Taiwan are largely related to office machinery and communication equipment. Mexico's increase in exports to the United States due to tariffs on China is quantified to be

about US\$ 3.5 billion, mostly in the agri-food, transport equipment and electrical machinery sectors. The European Union benefitted by trade diversion effects to the tune of US\$ 2.7 billion, largely due to increases in exports in the machineries sectors. Viet Nam's benefits were to the tune of about US\$ 2.6 billion and mostly in communication equipment and furniture. Trade diversion effects in favour of the Republic of Korea, Canada, and India were smaller but still substantial (between US\$ 0.9 and 1.5 billion). For India, the main benefits were in Chemicals and Metals & Ores. The remainder of the trade diversion effects were largely to the advantage of other South East Asian countries (US\$ 1.7 billion).

The UNCTAD analysis also finds that the trade diversion effects have increased over time. The analysis also finds some preliminary evidence that Chinese exporters may have started to bear part of the costs of the tariffs in the form of lower export prices. Overall, the results indicate that the United States' tariffs on China are economically hurting both countries. United States losses are largely related to the higher prices for consumers, while China's losses are related to significant export losses.

As per the UNCTAD study, sector-wise, Office machinery has been the hardest hit sector in the ongoing trade war, with United States imports from China falling by almost US\$ 10 billion in the first half of 2019. Trade diversion effects for this sector are quantified to be about US\$ 4.5 billion, most of which to the advantage of Taiwan Province of China. This leaves about US\$ 5.5 billion of trade losses.

China also applied tariffs on US goods to the tune of US\$185 billion. The UNCTAD Paper has not considered the impact of China's tariffs on imports from the US but concludes that the qualitative results are analogous : higher prices for Chinese consumers and losses for US exporters.

The different sectors in India have also been affected by the US-China Trade War in many ways (Box 1).

Box 1 : Impact of US-China Tariff /Trade-War on India : Some Sector Specific Examples

The US and China Trade war where the two countries have imposed/hiked tariffs and counter-tariffs on each other's merchandise goods imports has impacted other countries including India, though recently the two trade warring nations have arrived at some understanding.

The Department of Commerce after a detailed study had shortlisted 1088 tariff lines out of 5734 lines where India was already cost-competitive. The Department has identified around 364 tariff lines, which have a high potential considering India's current export capacity and the space likely to be vacated by China. Meanwhile, the different stakeholders have also stated that they have been affected by this conflict. Some sector-specific examples are given below.

Agricultural Sector:

Natural rubber (NR) and products: Though the US-China Trade War did not directly affect trade in rubber products, it had a dampening impact on international rubber prices. As China accounts for more than 40% of NR imports, the War led to a declining demand for NR in China reducing NR prices. The decline in NR prices in the international markets percolated into India through imports, depressing domestic prices. The low rubber prices adversely affected

growers and led to a decline in rubber production and planting.

Tea: During three previous rounds of tariff increases on 6th July 2018, 23rd August 2018 and 24th September 2018, Tea was excluded. However, the 4th list announced by USTR on 10th May 2019 proposing tariff increase from 10% to 25% on 5,745 Chinese goods valued at \$200 billion includes Tea including Mate and flowering Tea. However, China's Tea exports to the US form a small part of its total production. China shipped \$480 billion worth of goods to the U.S. in 2018 but only \$89.4 million of that was Tea. While the U.S. is the world's third-largest tea importer, its suppliers are many. China is by far the biggest supplier of green tea, but Argentina, a black tea provider, ships far more tonnage annually to the U.S. Besides India, other countries like Argentina, Sri Lanka, Kenya, Vietnam are also trying to export the maximum quantity expected to be vacated by China. Thus, the impact of the US-China trade war on Indian Tea exports is limited.

Non-Agricultural Sector:

Electronics sector: US-China Tariff war has benefitted India positively, in terms of manufacturing companies looking at India as an alternate site. It has also impacted India adversely, in terms of excess capacity in China, and the resulting dumping into India of electronic components that are denied access to the USA.

Leather and Leather Products: The USA has imposed a 15% tariff w.e.f. Sept. 17, 2018 and another 10% tariff w.e.f. May 10, 2019, on Leather and Leather products imported from China. The comparative import tariffs applicable in the USA for imports from India and China taking note of tariff escalations for China and GSP withdrawal for India are given in Table 1.

Table 1: US Import duty for Leather and Leather Products imports from India and China

Product	Duty for India (MFN) (%)	Duty for China (%)
Saddlery and Harness - Dog leashes, collars, muzzles, harnesses and similar dog equipment (4201)	2.4	27.4
Other Saddlery and Harness items (4201)	2.8	27.8
Travel Goods and Wallets (4202)	8	33
Handbags over US\$ 20 (4202)	9	34
Handbags below US\$ 20 (4202)	10	35
Belts	2.7	27.7
Sports Gloves (420321)	3 to 5.5	28 to 30.5
Finished Leather	2.4 to 5	27.4 to 30
Fur Articles (4303)	4	29

Source: Compiled by CLE

The above Table shows that India enjoys a tariff advantage over China despite GSP withdrawal for these items.

US-China Trade war has also opened some opportunities though limited, for India in the Chinese market. China's additional duty for imports from the USA is at different levels of 25%, 20%, 10% and 5%, applicable for finished leather, leather products and also footwear. The comparative import tariffs applicable in China for imports from India and the USA are given below (Table 2).

Table 2: Import duty on Leather and Leather Products by China on India and USA

Product	Normal (MFN) (%)	Duty for India under APTA (%)	Duty for USA (%)
Saddlery and Harness (4201)	10	6	25
Travel Goods (4202)	8	8	33
Handbags (4202)	6	3.9	31
Wallets (4203)	6	3.9	31
Leather Garments (4203)	6	6	31
Belts (4203)	6	6	31
Sports Gloves (420321)	10	6.5	35
Industrial Gloves & Fashion Gloves (420329)	10	10	35
Finished Leather (4107- Bovine and Equine)	5 to 7	5 to 7	30 / 32
Finished Leather (4112- Sheep and Lamb)	8	5.6	33
Finished Leather (4113- Other Animals)	14	9.8 (Goat) 14 (Others)	39
Footwear	4 to 14	2/3.9/5/8/14	8/10/14/29/ 30/35
Footwear Components (6406)	6	6 (Soles) 3.9 (Others)	6/31

Source: Compiled by CLE

Thus, India has a tariff advantage over the US in China for these items. However, the USA is not a major supplier of leather products and footwear to China as it accounted for a share of only 2.5% and 3.5% of imports of China respectively during 2018. Thus, the opportunity is limited.

A sum up: There are some examples of benefits to India due to the US-China trade war particularly Leather and Leather products. The benefits for India have also been corroborated by the UN study. In some cases, the benefit is only in the US market and in some other cases in China as well, though limited. Some Agricultural products like Rubber were adversely affected by the US-China Trade war. Thus the impact on India is mixed.

While the US-China Trade War has affected each other and also other countries including India, the war seems to be coming to an end. On January 15, 2020, China and the US signed the phase one deal with the US reducing tariffs initially set from 15 to 7.5% on US\$120 billion worth of Chinese products and China agreeing to purchase atleast an additional US\$200 billion worth of US goods and services over the next two years above a baseline of US\$186 billion purchases in 2017. The tag of 'currency manipulator' was also removed from China. However, we have to wait and see the full blueprint of the recent understanding between the US and China.

3.3 Tariff Escalations between US and India: Impact

The simmering trade tensions between India and the USA came to the open in 2018 and 2019 when two policies of the US triggered the Indo-US trade conflict. The first was the imposition of a global tariff on steel and an additional tariff on aluminum, though not exclusively against India, but directed at countries like India and China. The second policy of withdrawal of GSP benefits in June 2019 from India was exclusively directed at India. These actions met with counteraction from India in the form of Retaliatory Tariffs on US imports by India in June 2019. These actions and counteractions have far-reaching consequences on Indo-US Trade. To see the impact of tariff escalations between the US and India, some exercises have been made in this study using different databases.

3.3.1 US Tariff escalations on India

Recently on March 23, 2018, the US imposed global tariffs on steel imports of 25% and additional tariffs on Aluminum imports of 10% under Section 232 of the US Trade Expansion Act 1962. We have termed this development as the 1st phase of tariff escalations. This was done after the US secretary of commerce in his report stated that 'the present quantities of steel articles imports and the circumstances of global excess capacity for producing steel were weakening the US internal economy' resulting in the persistent threat of further closure of domestic steel production facilities and the shrinking of the US ability to meet national security production requirements in a national emergency. Similarly, in the case of aluminum Section 232 of the US Trade Expansion Act was invoked with the US Commerce Secretary report stating that the present quantities of Aluminum imports and the circumstances of global excess capacity for producing Aluminum are weakening the US internal economy leaving the US almost totally reliant on foreign producers of primary aluminum and at risk of becoming completely reliant on foreign producers of high purity aluminum that is essential for key military and commercial systems. These two measures have affected countries like India and China.

The 2nd phase of tariff escalation between India and the US which was more direct on India, was when GSP benefits were withdrawn from India on June 5, 2019. As a result of this action not only did India have to pay MFN tariffs for these items, but it also had to pay 25% duty on Solar Cells which India was exempted from as long as it was a GSP beneficiary. In fact, on January 23, 2018, US 201 of Trade Act, 1974 was invoked by the US as a trade remedy measure on Solar Cells Panels and Washing machines parts and the President issued the Presidential Proclamation 9693 and Presidential Proclamation 9694 imposing tariff rate quotas and increased duties on imports of solar cells and panels, and washing machines and parts, effective February 7, 2018. This action was taken

after the respective U.S industries filed petitions under Section 201 of the Trade Act of 1974 with the U.S. International Trade Commission (ITC), and the ITC found that these U.S. industries were injured by imported goods. These measures have a duration of four years for solar cells and panels, and three years for washing machines and parts. These measures cover imports from all countries, except certain developing countries including GSP beneficiary countries like India. The US withdrawal of GSP benefits from India triggered the tariff measures imposed on Solar Cells and Panels which were now also applicable to India. India is not a major exporter of Washing machines, parts to the US. As per Trade map data, out of total US\$ 51.6 billion exports to the USA by India in 2018, the exports of 4HS code 8450- machinery for laundry is US\$ 5.1 million only and 4HS code 8451- machinery (excluding 8450) for washing was US\$ 0.18 million only. So, the impact was only on Solar Cells.

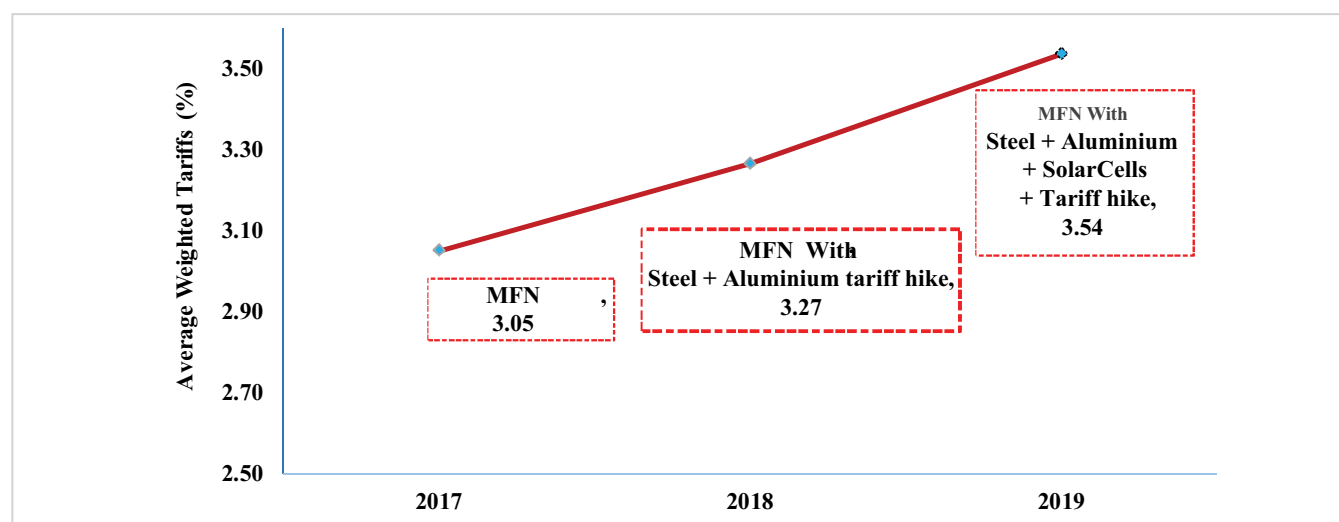
The effect of these two phases of tariff escalations are given in Table 3.1 and Figure 3.3 as per the methodology given in the Note to Figure 3.3.

Table 3.1: US Tariff Escalations: Impact on Tariffs and on US Imports from India

Years	2017	2018	2019	Import by US from India (US\$ mn) in 2018
Phase 1: Average Weighted Tariff on				
<i>Steel (25 % since March 23, 2018)</i>	0	25	25	424.6
<i>Aluminium (additional 10% since March 23,2018)</i>	2.0	12	12	661.9
Average Weighted Tariff on Phase 1 items		17.1	17.1	1086.6
Phase 2w				
<i>Out of GSP items (since June 5, 2019)</i>	0	0	3.8	17149.1
<i>Solar Cells (25 % since June 5, 2019)</i>	0	0	25	74.5
Average Weighted Tariff on Phase 2 items			3.9	
Average Weighted Tariffs (Including Tariff Escalations) for all US Imports from India	3.05	3.27	3.54	55658.9

Source: Calculated using data from USITC tariff profiles and WITS trade database

Figure 3.3: US Tariff Escalations: Impact on Tariffs and on US Imports from India



Source: Calculated using data from USITC tariff profiles and the WITS trade data

Note: The methodology of preparing Table 3.1 and Figure 3.3 are as follows.

WITS data which is basically till 2018 has not given the tariff escalations. USITC data for both 2018 and 2019 has indicated under a separate code that MFN + 25% duties and MFN+10% duties are levied since March 23, 2018, on Steel and Aluminum respectively. So, from the USITC tariff profile, the list of items at 6HS level is generated for Phase 1 tariff escalation by the USA on India's imports under Steel (i.e. 107 items at 6HS) (25% since March 23, 2018), and Aluminium (i.e. 20 items at 6HS) (additional 10% since March 23, 2018). For Phase 2 tariff escalation i.e. GSP items (i.e. 2182 items at 6HS) (Withdrawn since June 5, 2019) in which India was getting benefit before, and Solar items (1item at 6HS code) (25% since June 5, 2019) were also listed out. There may be some overlapping, exclusion and inclusion when converting 8HS items into 6HS tariff data. Thus, the listing of the above-identified items was done with the help of the USITC database. Then using data of imports from India by USA from the WITS database, the average weighted tariffs for steel, aluminium under Phase 1 and Phase 2 and for additional GSP withdrawn items and solar items under Phase 2 were calculated for 2017, 2018 and 2019. In the Case of GSP items, all the GSP code items for which India was eligible, have been taken. These include A and A* items (excluding some A* items where under country exceptions India is exempted as India did not enjoy GSP benefits even earlier for these items.) For 2019, the trade data of 2018 is used as a weight. Thus, average weighted tariffs for 2019 also were estimated factoring in the tariff escalations.

The results in table 3.1 and figure 3.3 show that due to the Phase 1 tariff escalations, average weighted tariffs for all US imports from India increased from 3.05 percent in 2017 to 3.27 percent in 2018. Further tariff escalations in Phase 2 resulted in average weighted tariffs increasing to 3.54 percent in 2019.

3.3.2 Impact of US Tariff Escalations on Trade

The Impact of these tariff escalations is also reflected in the US imports. Table 3.2 and Figure 3.4A and 3.4B using USITC quarterly data indicate the extent to which US imports from India and the World were affected by US tariff escalations on India. Both Table 3.2 and Figure 3.4. A show that there is a fall in US imports from India of Phase 1 tariff escalation items, namely steel and aluminum from Q2 of 2018 in the aftermath of the imposition of tariffs on steel items and hike in tariffs of aluminum items by the US. In the case of Phase 2 tariff escalation (due to withdrawal of GSP by the US from India and also the applicability of duty on Solar cells as a result of the withdrawal of GSP) since June 2019, there is a deceleration in growth of US imports from India in Q2 and Q3 2019. Since Solar cells imports are a small component in the imports of the US from India, Phase 2 tariff escalation is mainly due to items for which GSP was withdrawn and MFN duties were applicable. Even the applicability of duty on Solar cells is indirectly related to the withdrawal of GSP. The combined effect of Phase 1 and 2 tariff escalations by the US show a deceleration (though not a fall) in US imports from India of these items since Q3 2018 with a recovery in Q1 2019 and then again a deceleration since Q2 2019. These items (Phase 1 & 2) account for around 2% of US imports from India in 2018.

Table 3.2: Impact of US Tariff Escalation on Imports from India Vs World

US Imports	Annual Import Value (US\$ Billion)	Growth in Import Value (%)	Imports: Quarterly Growth (%) - Q-o-Q						
			2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3
1. Total Imports of USA									
a. from India	54.35	11.9	11.8	14.4	11.4	10.2	15.1	5.4	1.4
b. from World	2540.81	8.6	9.1	8.4	10.7	6.3	0.0	0.6	-1.4
2. Phase 1 Imports									

(i) Steel Imports									
a. from India	0.40	-48.1	-31.8	-49.4	-66.0	-40.0	-22.1	-12.5	10.8
b. from World	23.23	1.9	18.5	1.1	-3.8	-6.1	-6.8	-18.9	-20.7
(ii) Aluminium									
a. from India	0.64	57.1	138.3	86.5	61.2	-3.5	-0.2	-4.3	-25.4
b. from World	19.11	2.3	15.5	3.1	0.7	-9.0	-14.9	-9.9	-3.8
(iii) Total Phase 1 Imports									
a. from India	1.04	-11.5	12.8	-7.3	-27.2	-21.1	-10.0	-7.4	-13.7
b. from World	42.34	2.1	17.1	2.0	-1.9	-7.4	-10.5	-14.9	-13.2
3. Phase 2 Imports									
(i) Items out of GSP for India *									
a. from India	17.60	15.3	14.5	19.3	18.3	9.8	20.9	8.4	4.9
b. from World	846.37	9.1	10.1	8.1	9.7	8.6	0.3	-0.7	-1.1
(ii) Solar Cells									
a. from India	0.07	113.7	1345.3	435.8	1927.0	-38.4	-71.9	104.4	19.6
b. from World	5.48	-27.5	15.8	-15.4	-27.2	-52.6	-7.5	44.6	63.5
(iii) Total Phase 2 imports									
a. from India	17.67	15.5	14.9	19.5	19.1	9.5	20.6	8.5	5.0
b. from World	851.85	8.8	10.2	8.0	9.3	7.7	0.3	-0.4	-0.7
4. Total Phase 1 & Phase 2 Imports									
a. from India	18.72	13.6	14.8	17.3	15.5	7.5	18.6	7.5	4.1
b. from World	894.19	8.4	10.5	7.7	8.7	7.0	-0.3	-1.2	-1.2

Source : Computed from USITC data. Note: * Here only items out of GSP for India are considered for both India and the World.

Figure 3.4A: US import growth from India of Tariff escalated items of India

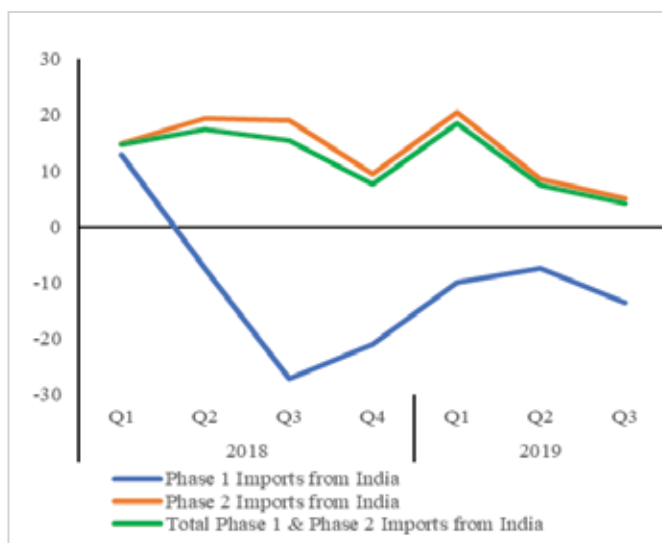
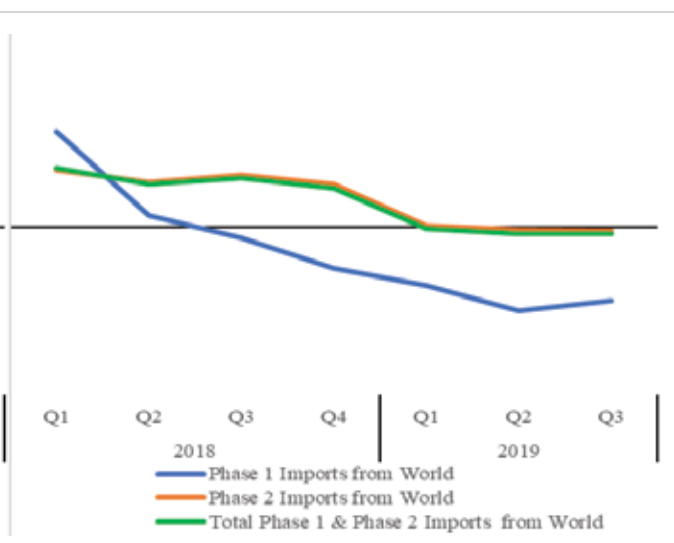


Figure 3.4B: US import growth from World of Tariff escalated items of India



Source: Compiled from the data extracted from the USITC database

Note: Methodology for preparing Table 13 and Figure 3.4 A & B are as follows

Based on the listed items as identified for Table 3.2 for Phase 1 and Phase 2 items, the quarterly and annual import data of the USA from World and India at 6HS level were extracted from the USITC database to calculate the import growth rates.

Table 3.2 and Figure 3.4 B show that US imports from the World also fell due to Phase 1 tariff escalations as imposition/increase of tariffs on steel/aluminum were also applicable to other countries in the World, particularly China which was also hit by these tariff escalations. While the impact on the World of tariff escalations by the US on Phase 1 items were relatively lower than that on India till Q4 2018, they were higher than or near to that on India in Q1 and Q2 - 2019. In the case of Phase 2 tariff escalations (which applied to India and Turkey from which also GSP benefits were withdrawn), US imports from the World fell, though marginally in Q2 and Q3 2019, while in the case of imports from India of these items, there was only a deceleration. The combined effects of both the US tariff escalations on the World was a deceleration in imports of these items in Q2 2018 and Q4 2018 and then a fall from Q1 2019 to Q3 2019, while for India there is a deceleration in Q3 & Q4 2019, then an increase in Q1 2019 and again a deceleration in Q2 and Q3 2019.

Interestingly the above figures show that while there is only a deceleration in US import growth from India of items out of GSP, in the case of the US imports from the World of these items, there is a fall in imports.

However, the impact of the withdrawal of GSP by the USA for India is being felt in different sectors in India (Box 2).

Box 2: Impact of US Withdrawal of GSP on India's Exports: Some Sector-Specific Examples

US GSP withdrawal for India has affected many sectors and items. Some examples are as follows:

Agricultural Sector:

Natural Rubber and Products: The US has been the major export destination of rubber and related products from India accounting for 15% (2018) of India's exports of this item. Around 60 products at HS 8-digit level between HS 4006 and HS 4017 were affected by the withdrawal of GSP.

Tea: USA was importing tea from India under GSP as follows-

1. Green Tea in packages not over 3kg flavoured under HTSUS code 9021010 &
2. Green Tea in packages over 3kg flavoured under HTSUS code 9022010.

India exports around 6-7% of USA's total import of Green Tea and the Industry has the potential to export high quality Green Tea to USA. Though, Green Tea is out of GSP benefits, India's exports of Green Tea to US is less. Black Tea does not attract any import duty in USA from any country. India exports almost 10 times more Black tea than Green Tea to USA. Withdrawal of GSP has not affected the export of Black Tea to USA.

Rice: Withdrawal of GSP by USA will affect both Basmati and Non-Basmati rice exports to USA as a duty of 11.2% will now apply. This will impact exports to USA.

Cashew: India's major competitor is Vietnam which is enjoying GSP benefit with US. Withdrawal of GSP for India has made buyers to prefer importing of cashew from Vietnam.

Non-Agricultural Sector:

Textiles and Clothing: In the case of Apparels, USA's RMG imports from India were US\$ 17.7 million in 2018 under 15 categories that enjoyed GSP. However, none of these items were among the important traded categories of India and hence the impact is minimal.

As far as cotton textiles are concerned, Home textile (HS Chapter 63) products which were eligible for GSP are those made from Silk (HS 63029910); Jute (HS 63049925) & specialized products like Wall Hangings/Banners (HS 63079085) and National Flags (HS 63079098). Amongst the items eligible for GSP concession, National Flags covered under HS 63079098 account for the largest imports in value terms i.e., US\$ 62.63 million. So, National Flags predominantly manufactured and exported by the SME sector will be affected.

Leather and Leather Products: Certain categories of finished leather, leather products (handbags, wallets, belts and sports gloves), fur garments and certain footwear components are now out of US GSP on account of which normal duties will now apply for these items. This will affect India's exports to the tune of US \$380 million as can be seen from Table 1.

**Table 1 : GSP Eligible Leather and Footwear Items Exports
from India to USA : 2018-19**

Product	Export (Million USD)
Finished Leather	11.93
Leather Goods	366.34
Footwear Components	1.50
Saddlery and Harness items	28.76
Total	408.53 *

*Since some of finished leathers, leather goods are not GSP eligible items, the estimated GSP eligible items is pegged at US\$ 380 million

Source: CLE.

While, the 25% additional import duty imposed by the USA on China, particularly on leather goods and saddlery and harness items has a positive impact on India's exports, the removal of GSP for these items has affected the competitiveness of India. Moreover, the additional 25% import duty on China imposed by the USA is applicable for all GSP eligible items exported from India, thus, cancelling any possible benefits to India due to US additional duty on imports from China.

India will now have import duties of 9%/10% for handbags, 8% for wallets and travel goods, 2.4% to 5% for finished leather, 11.20% for uppers of cotton, 2.7% for soles, etc. Thus, the

removal of GSP has considerably affected the competitive advantage of India in penetrating the US market particularly when some Leather and Footwear exporting LDCs continue to enjoy GSP benefits.

In fact, the withdrawal of GSP by the USA has affected the sourcing plans of the largest buyers from the US like Michael Kors, Coach, Kate Spade, etc. The removal of GSP has been a great setback to their plans and as a result a setback to India's exports of these items.

Although there have been tariff increases for China by the US, the production of handbags and small leather goods for these brands have been moved to GSP countries / low wage countries like Cambodia, Indonesia, Philippines, Myanmar / Vietnam and Bangladesh. These new countries represent almost 80% of their manufacturing. That means that India is now competing against, not China, but countries that have GSP or duty-free access to the US market. Michael Kors wanted to expand their production in India by significant numbers which would have given additional employment to almost 25000 people. This plan has now been put on hold because all the big Chinese manufacturers of handbags and SLGs have set up and continue to set up huge facilities in the GSP nations. e.g. a factory in Cambodia which had started 4 years ago now employs 12000 people and the number planned is 25000 people in the next 2 years. The labour laws are also flexible there and manufacturing friendly as desired by big brands.

Sports goods: The USA is one of the biggest markets for the sector and the USA imports Sports Goods & Toys worth nearly \$35 billion per annum. Nearly 14% of the total Indian Exports of Toys & Sports Goods is to the US Market. With the removal of GSP, the items imported by the US from India now attract Customs Duty at standard rates affecting India's exports of Sports Goods.

The above illustrative examples show that many sectors have been affected due to the US withdrawal of GSP benefits from India.

To counter the effects of the removal of GSP by the USA, India can have an FTA with USA in which it can ask for duty concessions for all items out of GSP. Alternatively, India can ask the US to include it under GSP for some important items particularly those manufactured by MSMEs. Also, the Indian government can think of temporary relief for GSP affected items. To enhance exports to the USA, additional Scrip under MEIS and an additional interest equalization rate of 6% on rupee export credit (for MSME and non-MSME units) have been suggested by Industry. But since WTO compatibility of these schemes is under question, it is better to think of measures to support the marketing of Indian products. For example, the restrictions under MAIS on participation in fairs (3 times for an event and 2 times a year) may be removed and air ticket reimbursement may be increased for companies with FOB of Rs. 100 crore in the previous year, as against the existing limit of Rs. 30 crore.

India is giving concessions to many LDCs. However, India is out of GSP of the USA while these countries continue to enjoy GSP with the USA and compete against India! It is high time that

India withdraws some of these concessions to LDCs as some of the LDCs like Vietnam and even Bangladesh are very competitive in some items. India needs to add a graduation clause to some of the LDCs and a sunset clause on concessions for some items.

3.3.3 India's Retaliatory Tariffs on the US

India has been continuously engaging with the US on the US Tariffs on Steel and Aluminum imposed in March 2018. But the US has not acceded to India's request for withdrawal of these duties.

After one year's negotiations and multiple pauses, India imposed retaliatory tariffs on the US with effect from June 2019 on 28 items (originally 29 items were in the list, but later one item – Artemia was removed from the list). As can be seen from Table 3.3A, the main items in the list are Agricultural items like Almonds and Apples Fresh, Iron and Steel items and Chemicals. Agricultural items form 57.5% of the imports of 28 items by India from the US in 2018. The average weighted tariff for imports of 28 items by India using 2018 imports as weights works out to 30.4 percent due to additional duty for the 28 items and the average weighted tariff on all imports from the US by India would show an increase to 8.5 percent in 2019 from 7.4 percent in 2018 due to additional duties on 28 items. The total import value of these items in 2018 as per our estimate is around \$1.91 billion and forms 4.9 percent of the total imports of India from the US (See Table 3.3A, 3.3B and Figure 3.5). As per the Department of Commerce (DOC, 2019), the value of imports of these items is around \$1.24 billion. The additional duty likely to be collected, as per our estimates using 2018 import data is \$301.8 million and using Jan-Dec 2017 data as per Dept of Commerce, Government of India estimates is \$217.33 million.

Table 3.3 A: Retaliatory Tariff by India on Imports from the USA : Item-wise

S. No	6HS	Commodity	Proposed Additional duty (%) in 2019	Imports US\$ mn in 2018	Simple MFN tariffs in 2018	Additional Duty likely to be collected in 2019 (assuming 2018 imports) (US \$ mn)
1	071320	Chickpeas (Garbanzos) Dried And Shelled	10	14.2	53.3	1.4
2	071340	Lentils (Mosur), Dried And Shelled	20	3.7	30.0	0.7
3	080211	Almonds Fresh Or Dried in Shell	17	824.4	10.3	140.1
4	080212	Shelled Almonds Fresh Or Dried	20	15.8	13.7	3.2
5	080231	Walnuts Fresh Or Dried In Shell	20	36.3	30.0	7.3
6	080810	Apples Fresh	20	203.6	50.0	40.7
7	280920	Phosphoric Acid	5	180.7	6.3	9.0
8	281000	Boric Acid	20	1.5	7.5	0.3
9	382200	Others-Diagnostic Reagents	20	193.0	10.0	38.6
10	382499	Other-Binders For Foundry Moulds	10	104.6	7.5	10.5
11	721012*	OTS/MR Type-Flat Rolled Products Of Thickness >600mm	15	19.1	12.5	2.9

12	721012*	Other Plates, Sheets, Strips	15			
13	721912	HT-RIld Prdcts In Coils Of Thickness >=4.75 Mm	15	13.5	7.5	2.0
14	721913	HT-RIld Prdcts In Coils ofthckns >-, 3 Mm Bt <4.75 Mm	15	1.8	7.5	0.3
15	721921	Other Nckl Chrm Austntc Type N.E.S.	15	3.1	7.5	0.5
16	721990	Other Sheets And Plates N.E.S.	15	6.8	7.5	1.0
17	722511	FLT-RLD Prdcts Of Silicon Elctrcl Stl Grain Oriented	15	26.0	5.0	3.9
18,	730729	Other Fittings Of Stainless Steel	15	16.9	10.0	2.5
19	730799	Non-Galvanised	15	14.5	10.0	2.2
20	730890	Other Structure And Parts Of Structures Of Iron And Steel	15	9.1	10.0	1.4
21	731029	Others-Tanks And Drums Etc.	15	14.9	10.0	2.2
22	731815	Other Screws And Bolts W/N With Nuts	15	31.7	10.0	4.8
23	731816	Threaded Nuts	15	11.7	10.0	1.7
24	731829	Other Non-Threaded Articles N.E.S.	15	21.0	10.0	3.2
	731829	Other Non-Threaded Articles N.E.S.	15	21.0	10.0	3.2
25	732090	Others of Other Springs Of Iron/Steel	15	10.6	10.0	1.6
26	732599	Other Cast Articles Of Iron Or Steel N.E.S	15	6.2	10.0	0.9
27	732619	Articles of Forged or Stamped but Not Further Worked	15	10.1	10.0	1.5
28	732690	All Other Articles of Iron/Steel	15	116.2	10.0	17.4
		Total of 28 items		1910.9		301.8
		All items		38805.1		

Source: Calculated using DoR press Release and WITS data

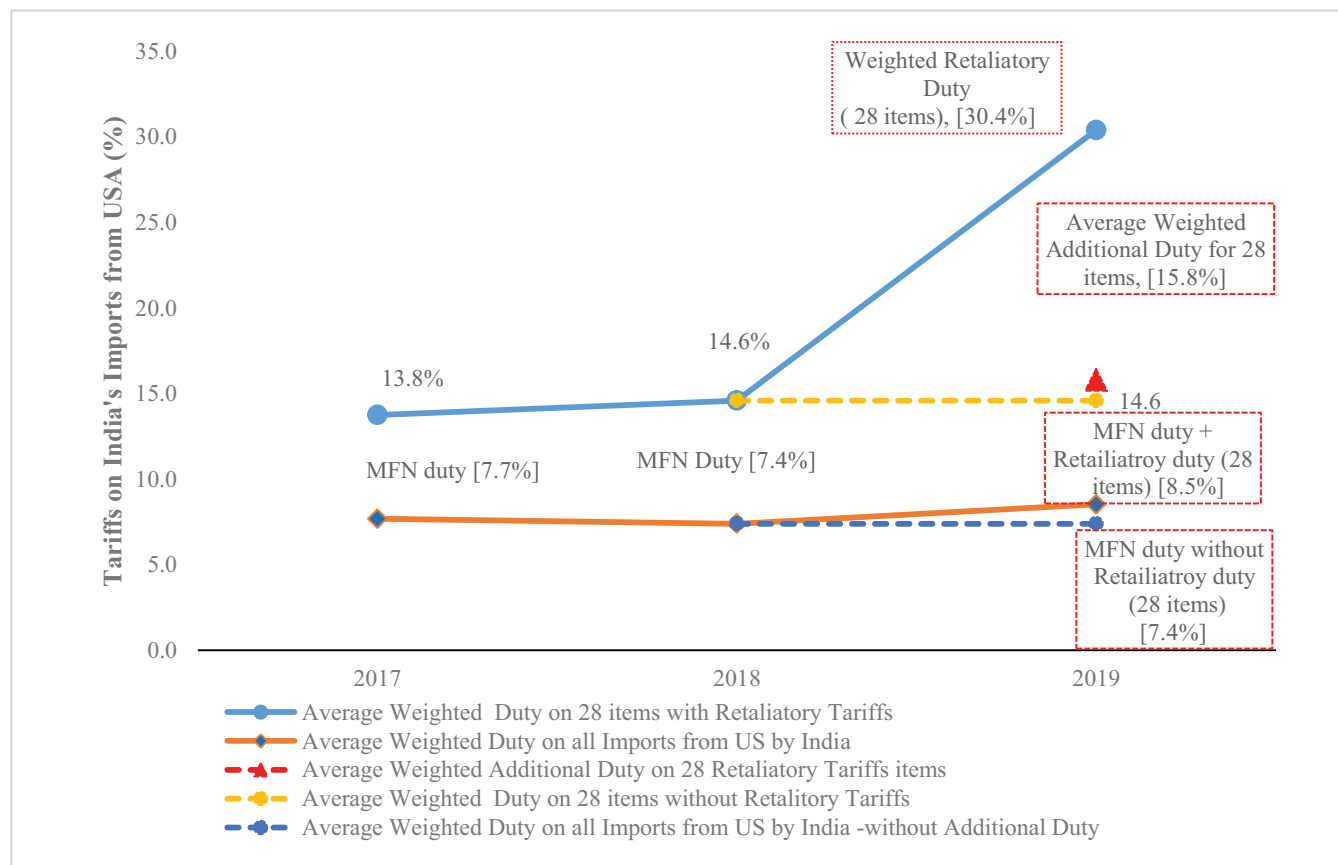
Note: * Both items is merged in single code at 6HS level

Table 3.3 B: Retaliatory Tariff by India on Imports from the USA: Summary Table

	2017	2018	2019
Average Weighted Duty for 28 items	13.8	14.6	30.4
Average Weighted Duty on all Imports from the US by India	7.7	7.4	8.5
Average Weighted Additional Duty for 28 items			15.8
Imports of 28 items by India from the US (US \$ mn)			1910.9
Total Imports of India from the US (US \$ mn)			38805.1

Source: Calculated using DoR Press Release and WITS data

Figure 3.5: Retaliatory Tariffs by India on Imports from the USA



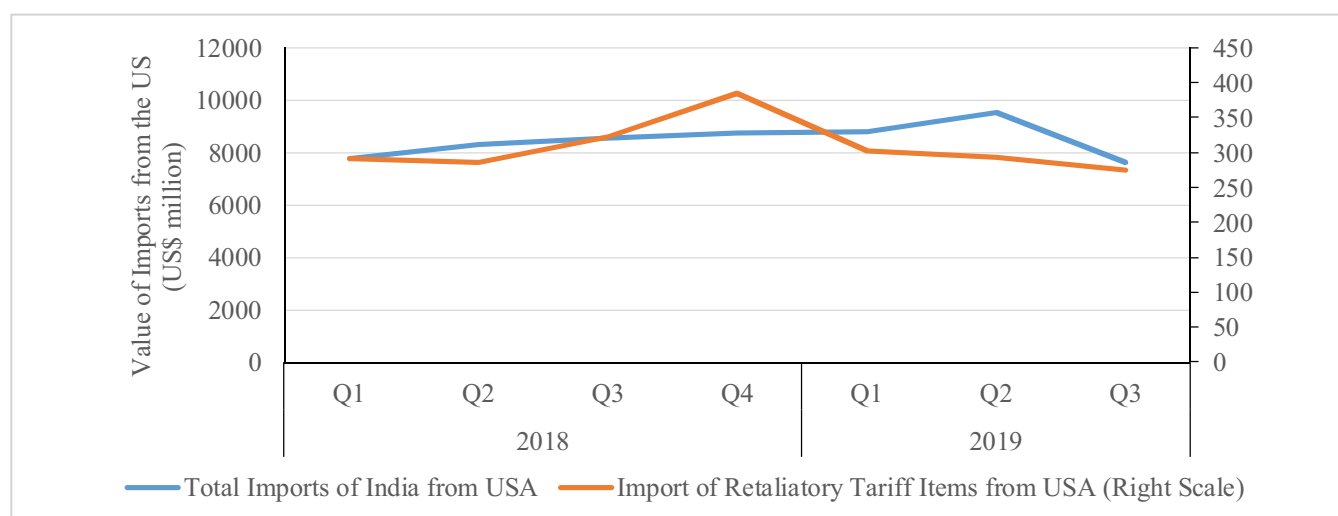
Source: DOC, and WITS database

Note: Methodology for preparing Table 3.3 B and Figure 3.5: Based on DOC (PIB) press release, the list of 28 items at 8 HS code on which additional retaliatory tariff hike was imposed by India on Imports from the USA are converted into 6HS code. In this conversion, HS Code 721012 will be common for two 8HS items. Taking the data on India's imports from the USA from the WITS database, the weighted tariff for these 28 items was calculated for 2017, 2018 and 2019 factoring the tariff hike imposed in 2019. The estimated additional duty likely to be collected in 2019 is estimated assuming that the import value for 2019 is the same as for 2018

3.3.4. Impact of India's Retaliatory Tariffs on Trade

US Exports to India data mirroring India's imports from the US has been used to see the impact on trade due to retaliatory tariffs by India on US imports w.e.f June 2019. As can be seen in Table 3.4 and Figure 3.6, the growth of India's imports from the US of the 28 items (US exports to India of the 28 items) on which retaliatory tariffs were imposed fell in Q1 2019 and further in Q2 and Q3 2019. Though the value of imports of the 28 items by India on which retaliatory tariffs were imposed form only 3.8% and 3.4% of the total imports of India from the US in 2018 and the first 3 quarters of 2019 respectively, nevertheless they are important items including agricultural items, chemicals and Iron and Steel items. Besides the intention was also to send a message that US action will also face retaliation from India. Infact, total imports of India from the US (total exports of US to India) also fell in Q3 2019.

Figure 3.6: India's Quarterly Imports from the USA of Retaliatory Tariff Items (US\$ Million)



Source: Computed from USITC data.

Table 3.4: Impact of India's Retaliatory Tariff on India's Imports from the USA

	Quarterly Value (US\$ million)							Quarterly Growth % (Y-o-Y)	
	2018				2019			2019	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q2	Q3
1) Total Imports of India from USA (US\$ million)	7785.6	8342.2	8597.9	8777.0	8808.4	9542.2	7645.7	14.4	-11.1
2) Import of Retaliatory Tariff Items from USA (US\$ Million)	293.0	286.4	322.7	385.7	304.0	293.2	276.6	2.4	-14.3

Source: Computed from USITC data.

Note: The methodology of preparing Table 3.4 and Figure 3.6 are as follows.

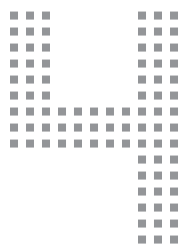
Using the USITC quarterly data of exports from the USA to India as mirror data for Imports of India from the USA, the impact of retaliatory tariff escalation by India for 28 items have been estimated. For these 28 items identified in Table 3.3A, the quarterly growth in imports from the USA by India is calculated.

3.3.5. India-US Trade Conflict: Inferences

Thus India-US Trade Conflict has affected both countries. However, unlike the US-China Trade War where some rapprochement has taken place recently, in the Indian case, this has not happened till now. Instead, the US has even taken India out of the developing countries' list citing India's share in World Trade as above 0.5% and on account of India being a G-20 member. As a result, India will no longer be eligible for special preferences under the methodology for CVD investigations. This has also made renegotiations on GSP difficult. Withdrawal of GSP from India and removing India from the Developing Countries list could be the US game plan to force India to the negotiating table to either have an FTA or reduce tariffs on items of export interest to the US.

3.5. Conclusion

Thus, trade wars and trade escalations have led to not only increase in tariffs but also a fall or slowdown in trade along with trade diversion. While the US-China trade wars clearly indicate the trade diversion effect, in the Indian case, the time span is too short to see the trade diversion effect. Whatever be the reason for the trade wars/conflicts, they affect both the countries. History judges such trade wars poorly, but only time will show the full effects of the renewed wave of protectionism.



India's Preferential/Free Trading Arrangements and Tariffs

In this chapter an attempt has been made first to examine the importance of PTAs/FTAs/RTAs/CECAs in India's exports and imports and their performance over the years. Then the extent of preferential trade of FTAs with India and Vice Versa is examined. This is followed by an examination of the tariffs in the existing PTAs/FTAs/RTAs/CECAs to which India is a party, mainly the more important ones for which data are available. While FTAs/RTAs etc. also cover issues other than tariffs, the focus of this study is on tariffs in these FTAs/RTAs and rationalization/reforms in this context. This includes even sector-wise analysis. This is followed by an analysis of total duties in 2 select FTAs. The analysis of tariffs in FTAs by stages of processing both on the imports and exports side is done next. Finally, inferences are drawn and suggestions are given.

4.1 Introduction

FTAs/RTAs/PTAs have mushroomed all over the World in the last few years. In this spaghetti bowl of FTAs/RTAs, India is a late entry and in this spaghetti bowl, India has a variety of Trade Agreements—Preferential Trade Agreements (PTAs), Free Trade Agreements (FTAs), Regional Trading Agreements (RTAs), Comprehensive Economic Cooperation Agreements (CECAs), Comprehensive Economic Partnership Agreements (CEPAs), Comprehensive Economic Cooperation and Partnership Agreements (CECPAs) and Economic Cooperation and Technical Cooperation Agreements (ECTCAs), etc. There are also some countries that are part of multiple PTAs/FTAs/RTAs/CECAs of India. In a short time, India has negotiated many Trade Agreements and many are on the pipeline including expansion or graduation of existing FTAs to CECAs, etc. The different PTAs/FTAs/RTAs/CECAs of which India is a party are given in Chart 4.1.

The acronyms PTA, FTA, RTA, CECA, etc. are many a time used interchangeably, though there are differences between them. The basic difference between a PTA and FTA is that in the former only preferential trade is negotiated, which need not be an elimination of duties but only a reduction of duties and so a positive list is given. In the case of the latter, duties are eliminated and a negative list is given for which exemption from duty elimination/reduction is given. There are other differences as well (See India Briefing 2018, Global Trade News, 2014, etc.). **For the sake of convenience, in this report, all trading arrangements will be denoted by the acronym FTA unless specific mention of the type of arrangement is needed.**

Chart 4.1: India's PTAs/FTAs/RTAs/CECAs in Force

Name of the Agreement		Date of Signing the Agreement	Date of Implementation
(i) FTAs in force			
1.	India-Sri Lanka FTA (FTA)	28 th December 1998	1 st March 2000
2.	Agreement on South Asian Free Trade (SAFTA)	4 th January 2004	1 st January 2006
3.	India Nepal Treaty of Trade	27 th October 2009	27 th October 2009
4.	India – Bhutan Agreement	17 th January 1972	29 th July 2006
5.	India – Thailand FTA Every Harvest Scheme (EHS)	9 th October 2003	1 st September 2004
6.	India – Singapore CECA	29 th June 2005	1 st August 2005
7.	India – ASEAN CECA	13 th August 2009	2010 – Malaysia, Singapore, Thailand, Vietnam, Myanmar, Indonesia, Brunei, 2011, Laos, Philippines, Cambodia For Services & Investment – 1 st July 2015
8.	India – South Korea CEPA	7 th August 2009	1 st January 2010
9.	India – Japan CEPA	16 th February 2011	1 st August 2011
10.	India – Malaysia CEPA	18 th February 2011	1 st July 2011
(ii) PTAs in force			
1.	Asia Pacific Trade Agreement (APTA)	July 1975	1 st November 1976
2.	Global System of Trade Preferences (GSTP)	13 th April 1988	19 th April 1989
3.	SAARC PTA (SAPTA)	11 th April 1993	7 th December 1995
4.	India – Afghanistan PTA	6 th March 2003	13 th May 2003
5.	India – MERCOSUR PTA	25 th January 2004	1 st June 2009
6.	India – Chile PTA	8 th March 2006 (Expanded on 6 th September 2016)	11 th September 2007, (Came into force on 16 th May 2017)

Source: Ministry of Finance, Government of India: Economic Survey 2019-2020, Volume 2.

4.2 Importance and Performance of FTAs in India's Trade

4.2.1 Importance of FTAs in India's Imports/Exports

To see the importance of FTAs in India's trade we have computed the share of the FTAs in India's Imports and Exports and also their Growth (CAGR) particularly after the FTAs were implemented (Table 4.1 and Table 4.2). CAGR has been calculated for 3 time periods 2001-2005, 2006-2010 and 2011-2018 by which time 7 PTAs/FTAs, 6 PTAs/FTAs and remaining 3 FTAs (among the list in the tables), were implemented respectively. All stages of implementation for the existing FTAs in the list are now almost complete though in the case of India-Thailand CECA and India-South Korea CEPA only Early Harvest Scheme (EHS) has been implemented.

Table 4.1: India's Imports from PTA/FTA/RTA Partner Countries/Groups

	(US \$ Million)	CAGR (%) of Imports			Share in Total (%)
Trading Partners	Import Value 2018	2001-05	2006-10	2011-18	Imports 2018
World	507580	29.1	18.4	1.3	100.00
Afghanistan	420	28.5	32.5	19.6	0.08
Bangladesh	892	12.8	12.5	6.4	0.18
Sri Lanka	1319	79.3	0.6	9.1	0.26
Chile	1695	50.0	0.4	-1.1	0.33
Japan	12531	19.8	14.9	1.6	2.47
Korea, Republic of	16364	40.4	19.3	4.1	3.22
Malaysia	10413	20.6	6.5	1.9	2.05
Nepal	397	2.0	12.3	-3.5	0.08
Singapore	14326	23.6	8.8	8.4	2.82
Thailand	7669	29.6	26.3	6.1	1.51
SAARC	3844	* 23.7	** 8.3	6.3	0.76
APTA	92330	49.1	25.1	4.2	18.19
MERCOSUR	13912	20.3	40.1	3.5	2.74
ASEAN	57210	25.1	16.1	*** 5.1	11.27

Sources: Trademap data accessed on 12.01.2020 (ITC calculations based on Directorate General of Commercial Intelligence & Statistics since January 2017) ITC calculations based on UN COMTRADE statistics until January 2017.

Note 1: SAARC : Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

APTA : Bangladesh, China, India, Laos, South Korea, Sri Lanka

MERCOSUR : Argentina, Brazil, Paraguay, Uruguay, Venezuela

ASEAN : Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam

Note 2: Yellow Shade means the FTA was implemented during that time period. Only for 2001-05 it also includes FTAs implemented before that period

* = SAPTA 1995 ** = SAFTA 2006 *** = ASEAN (2011) - Laos, Philippines, Cambodia

ASEAN (2010) - All Others

Table 4.2: India's Exports to PTA/FTA/RTA Partner Countries/Groups

	(US \$ Million)	CAGR (%) of Imports			Share in Total (%)
Trading Partners	Import Value 2018	2001-05	2006-10	2011-18	Imports 2018
World	323056	23.0	16.1	1.0	100.00
Afghanistan	728	63.2	23.2	5.4	0.23
Bangladesh	8752	12.8	16.0	14.4	2.71
Sri Lanka	4661	32.9	11.9	0.7	1.44
Chile	925	13.5	28.4	8.9	0.29
Japan	4741	12.2	14.4	-2.3	1.47
Korea, Republic of	4800	35.0	11.9	0.8	1.49
Malaysia	6515	9.8	27.8	8.0	2.02
Nepal	7292	44.8	19.8	16.1	2.26
Singapore	10427	55.6	10.3	-5.6	3.23
Thailand	4370	15.4	12.2	6.7	1.35
SAARC	24670	* 26.7	** 15.6	9.7	7.64

APTA	34654	41.7	18.4	2.5	10.73
MERCOSUR	4620	34.9	23.1	-4.3	1.43
ASEAN	36074	32.7	16.7	*** 0.6	11.17

Sources: Trademap data accessed on 12.01.2020 (ITC calculations based on Directorate General of Commercial Intelligence & Statistics statistics since January 2017) ITC calculations based on UN COMTRADE statistics until January 2017.

Note 1: SAARC : Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka

APTA : Bangladesh, China, India, Laos, South Korea, Sri Lanka

MERCOSUR : Argentina, Brazil, Paraguay, Uruguay, Venezuela

ASEAN : Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam

Note 2: Yellow Shade means the FTA was implemented during that time period. Only for 2001-05 it also includes FTAs implemented before that period

* = SAPTA 1995 ** = SAFTA 2006 *** = ASEAN (2011) - Laos, Philippines, Cambodia

ASEAN (2010) - All Others

The CAGR for both imports and exports for FTAs in the three time periods follows the pattern of CAGR of the world for these three periods – very high in the first period, high in the second and low in the third with some exceptions. In the 2011-18 time period, in the case of India's imports from FTAs, while CAGR for India's imports from the World and other FTAs was low, CAGR for imports from Afghanistan, Bangladesh, Sri Lanka, Singapore, Thailand and SAARC, was high. In the case of India's exports to FTAs, CAGR for Bangladesh, Chile, Malaysia, Nepal, Thailand and SAARC was high.

In the case of share in India's imports and exports, country-groupwise among the FTAs of India, APTA and ASEAN are the major groups in terms of share in India's total imports at 18.2% and 11.3% respectively. Groups like MERCOSUR and SAARC have a share of only 2.7% and 0.8% respectively. On the Export side, the share of APTA and ASEAN are 10.7% and 11.2% while that of SAARC and MERCOSUR are 7.6% and 1.4% respectively.

Among the Individual FTA partners, the countries with the highest share in India's imports are the Republic of Korea (3.2%) followed by Singapore (2.8%), Japan (2.5%) and Thailand (1.5%). In terms of share in India's total exports, the countries with the highest share are Singapore (3.2%) followed by Bangladesh (2.7%) (which comes under GSTP, APTA and SAFTA), Nepal (2.3%), Malaysia (2.0%), Japan & Republic of Korea (1.5% each) and Sri Lanka & Thailand (1.4% each).

Thus, in terms of share in total imports and exports among India's RTAs/FTAs in existence, APTA, ASEAN and SAARC as country groups and Singapore, Republic of Korea, Japan as individual FTA partners are the major trading groups/countries.

4.2.2 Performance of India's FTAs over the years

An attempt has been made here to see if imports to India from FTAs and exports from India to FTAs have increased after they came into existence. For some important FTAs for which data are also available, the import shares since the FTA came into existence has been computed. The year of implementation of FTA is shaded in red color (Table 4.3).

In the case of important FTAs of India, the share of India's imports from the FTA in total imports of India after the FTA was formed increased discernibly, though sometimes with lags in the case of Republic of Korea, Thailand, APTA and ASEAN. It increased slightly with ups and downs in the case of Sri Lanka. In the case of Japan there is no major increase and in the case of SAARC (after SAFTA was implemented) no increase, while in the case of Singapore, there was an increase initially for some years and then a fall and now a rise in 2018.

Table 4.3: Import Share from FTA in total Imports of India over the years (Percentages)

Trading Partners	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Afghanistan	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Bangladesh***	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.2
Sri Lanka*	0.1	0.2	0.2	0.3	0.4	0.3	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.1	0.3
Chile	0.1	0.2	0.2	0.3	0.3	0.9	0.9	0.6	0.3	0.4	0.4	0.5	0.7	0.7	0.6	0.3	0.4	0.3
Japan	3.5	3.7	3.2	3.0	2.6	2.7	2.7	2.5	2.5	2.4	2.4	2.5	2.3	2.2	2.5	2.7	2.4	2.5
Korea, Republic of	2.2	2.2	3.3	3.4	3.1	2.7	2.5	2.6	3.1	2.8	2.7	2.8	2.7	2.9	3.3	3.4	3.6	3.2
Malaysia	2.3	2.3	2.6	2.2	1.7	2.6	2.6	2.4	1.9	1.7	2.0	2.1	2.0	2.4	2.4	2.4	2.0	2.1
Nepal	0.7	0.5	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Singapore	2.7	2.3	2.6	2.5	2.2	2.9	3.2	2.6	2.3	2.1	1.8	1.6	1.5	1.5	1.9	1.9	1.6	2.8
Thailand	0.8	0.6	0.7	0.8	0.8	0.9	1.0	0.8	1.0	1.1	1.1	1.1	1.2	1.2	1.4	1.5	1.5	1.5
SAARC****	1.2	0.9	0.9	0.9	1.0	0.8	0.8	0.7	0.6	0.6	0.5	0.5	0.5	0.6	0.8	0.7	0.6	0.8
APTA**	6.1	7.0	8.6	9.9	10.8	11.9	14.0	12.9	14.8	14.9	15.0	14.2	14.0	15.9	19.5	20.8	20.2	18.2
MERCOSUR	1.5	1.2	1.2	1.2	1.1	1.3	1.0	1.9	2.0	2.7	2.4	3.8	4.3	4.5	3.4	3.2	3.1	2.7
ASEAN	8.6	8.4	9.2	8.6	7.5	9.1	9.6	8.5	9.0	8.5	8.7	8.7	9.1	9.7	10.6	10.7	10.2	11.3

Source: ITC Trademap data accessed on 20.01.2020. ITC calculations based on UN COMTRADE statistics until January, 2017 and DGCI&S data since January 2017. *FTA from 2000 ** PTA from 1976 *** GSTP from 1989 ****SAFTA from 2006. Note: Red Shade = Date of Implementation

In the case of the share of India's exports to FTA in total exports of India after the FTA was formed (Table 4.4), there is no increase in shares after the FTA was formed in the case of Republic of Korea, Singapore and even Thailand (except for 2018). In the case of Japan there was an increase initially for 2 years and then a fall. There is an increase in shares in the case of Malaysia though small; in SAARC particularly in recent years; APTA since 2003; and ASEAN immediately after the FTA and recently.

Table 4.4: Export share to FTA in total Exports of India over the years (Percentages)

Trading Partners	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Afghanistan	0.0	0.1	0.2	0.2	0.1	0.1	0.1	0.2	0.3	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2
Bangladesh***	2.4	2.0	2.8	2.1	1.7	1.4	1.4	1.8	1.2	1.4	1.1	1.7	1.8	2.0	2.1	2.2	2.4	2.7
Sri Lanka*	1.4	1.7	2.0	1.8	1.9	1.7	1.8	1.6	1.0	1.5	1.5	1.3	1.4	2.0	2.1	1.6	1.5	1.4
Chile	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Japan	3.5	3.6	2.9	2.4	2.4	2.3	2.2	2.0	1.8	2.2	1.9	2.2	2.2	1.8	1.7	1.5	1.5	1.5
Korea, Republic of	1.0	1.2	1.1	1.3	1.5	1.9	1.7	2.1	2.1	1.6	1.5	1.4	1.3	1.5	1.4	1.3	1.5	1.5
Malaysia	1.8	1.5	1.3	1.4	1.1	1.1	1.3	1.7	2.0	1.6	1.3	1.3	1.6	1.5	1.9	1.6	1.9	2.0
Nepal	0.4	0.5	1.0	1.0	0.8	0.8	0.8	0.9	0.8	0.9	0.8	0.9	0.9	1.3	1.2	1.7	1.9	2.3
Singapore	2.1	2.8	2.9	4.5	5.4	5.1	4.4	4.9	3.9	4.1	5.2	4.7	4.2	3.0	3.0	2.8	3.9	3.2
Thailand	1.4	1.5	1.2	1.1	1.1	1.1	1.1	1.1	1.0	1.0	0.9	1.2	1.2	1.1	1.2	1.1	1.2	1.4
SAARC****	4.8	4.8	6.5	6.0	5.4	5.1	5.4	5.6	4.2	5.0	4.3	4.7	5.0	6.2	6.5	6.5	6.8	7.6
APTA**	7.0	8.0	10.2	10.6	12.3	11.5	11.4	11.0	10.2	12.4	9.7	9.5	9.4	9.8	9.2	8.5	9.6	10.7
MERCOSUR	0.9	1.0	0.9	1.0	1.4	1.6	1.6	2.1	1.3	2.0	2.1	2.5	2.2	2.6	1.5	1.2	1.3	1.4
ASEAN	7.6	9.0	8.5	9.9	10.2	10.2	9.5	10.7	10.1	10.4	11.4	11.2	11.3	9.9	10.0	10.1	12.0	11.2

January, 2017 and DGCI&S data since January 2017

*FTA from 2000 ** PTA from 1976 *** GSTP from 1989 ****SAFTA from 2006.

Note: Red Shade = Date of Implementation

The above analysis shows that there is some discernible increase in shares on both the import and export sides, since the FTAs were implemented and over the years for APTA and ASEAN.

4.2.3 India's Preferential Trade with FTAs

To see the importance of the different FTAs in India's Trade in the context of Preferential tariffs, we need to see the extent of preferential trade with these FTAs and not just general trade with the FTAs.

4.2.3.1 India's Preferential Imports from FTAs

The share of India's imports having Preferential tariffs for different FTAs in total imports of India from that FTA shows the following (Table 4.5).

Table 4.5: India's Preferential and Effective Tariffs on imports from FTA/PTA/RTA Partner Countries in 2018: A Comparison

	Simple Average Tariffs			Weighted Average Tariffs			Imports (US\$ Million) 2018		Share of Pref. Imports to Total Imports (%)
	Effective	MFN	Pref.	Effective	MFN	Pref.	Total	Pref.	
World	8.7	13.5	---	4.9	6.0	---	614995	---	---
Afghanistan	0.0	24.8	0.0	0.0	47.0	0.0	513	512	99.8
Bangladesh	0.1	11.0	0.0	0.0	10.5	0.0	1080	1056	97.8
Sri Lanka	1.6	12.1	0.9	1.0	18.4	0.9	1523	1442	94.7
Chile	12.4	14.5	6.9	2.2	4.8	0.4	2282	2147	94.1
Japan	4.3	10.4	2.5	3.0	7.6	2.3	15039	12525	83.3
Korea, Republic of	2.8	9.9	0.7	1.9	7.8	0.8	19574	14669	74.9
Malaysia	2.2	10.1	0.9	1.9	5.7	0.7	12873	6904	53.6
Nepal	0.1	14.0	0.0	0.0	21.3	0.0	485	480	99.0
Singapore	2.6	11.0	0.7	1.8	6.8	0.6	16851	12021	71.3
Thailand	2.6	10.9	0.9	2.6	8.8	1.2	9423	7498	79.6
SAARC	1.9	12.7	1.0	1.1	18.9	0.7	4569	4081	89.3
APTA	5.9	10.9	1.5	5.5	6.9	3.8	111850	29690	26.5
MERCOSUR	10.5	10.9	7.7	7.2	7.4	10.9	16807	2774	16.5
ASEAN	2.5	11.8	0.9	2.6	7.2	0.9	69340	48290	69.6

Source: Compiled from WITS database

Note: In the case of group of countries, the average tariffs of FTA partners excluding India are calculated using the WITS database.

- **In the first category** are FTAs, the Preferential share of which is very high in the 98-100% range as is the case with Afghanistan (99.8%), Bangladesh (97.8%) and Nepal (99.0%) with zero or near zero, Preferential and even Effective tariffs (both weighted and simple average).
- **The second category** of countries with Preferential import share of 90-95% are Chile (94.1%), Sri Lanka (94.7%) and SAARC (89.3%) with low weighted average Preferential tariffs (below one percent) and even low Effective Tariffs (less than 2.2%). Even simple average preferential tariffs are low for these countries except for Chile.

- **The third category** consists of important FTAs like ASEAN (69.6%), Thailand (79.6%), Singapore (71.3%), Republic of Korea (74.9%) and Japan (83.3%), where the share of Preferential imports is in the 70% to 85% range with low weighted Preferential Tariffs ranging from 0.6% to 1.2% and weighted average Effective Tariffs from 1.8% to 2.6%. Even simple average Preferential Tariffs are relatively low.
- **The fourth category** has two other important FTAs, APTA with a share of 26.5% and Malaysia with a 53.6% share. While weighted average Preferential Tariffs and Effective Tariffs are low for Malaysia at 0.7% and 1.9% respectively, for APTA they are relatively high at 3.8% and 5.5% respectively. Simple average preferential and effective tariffs also show similar results.
- **The fifth category** has MERCOSUR with the lowest share of Preferential imports in total imports (16.5%) with a high average weighted Preferential Tariff and Effective tariff almost equal to average weighted MFN tariff.

Thus, in most of the FTAs involving small or less developed countries/groups, India's share of Preferential imports is very high with very low preferential and effective tariffs, but high MFN tariffs. This implies that preference margin is also high and in some cases, Preferential tariff itself is Effective tariff. Even in many other FTAs, India's preferential import share is substantially high and Preferential tariffs and Effective tariffs (weighted) are still low in the range of 0.6% to 3.8%. Only in the case of MERCOSUR and APTA both Preferential and Effective tariffs are relatively high and India's preferential import shares are low.

4.2.3.2 FTAs' Preferential Imports from India

In the case of the imports from India by India's FTAs mirroring the exports of India to the FTAs, not only are the shares of Preferential imports of these FTAs from India in their total imports from India much lower, the average weighted preferential tariffs by many of these FTAs to India are relatively high. Even the preference margin is less and Preferential tariffs are near to MFN tariffs (Table 4.6).

- **The first category** consists of FTAs with above 50% share of Preferential imports in total imports from India by the FTA. These include the Republic of Korea (69.0%) and APTA (51.8%) which have low weighted average preferential tariffs ranging from 1.3% to 2.3% for imports from India. Even the simple average preferential tariffs are low. However, the Effective Tariffs both Simple and Weighted Average are relatively high. The relatively high Effective Tariffs coupled with the fact that there is still a large percentage of non-preferential imports implies that for these non-preferential imports, tariffs on imports from India are high.
- **The second category** with import share ranging from 39% to 48% includes ASEAN (47.7%), Japan (43.3%) and Chile (39.0%). Among these, Japan has low weighted average preferential tariffs (0.8%), while ASEAN (6.5%) and Chile (5.1%) have relatively high tariffs. Even simple average preferential tariffs of Japan are low for imports from India. Japan's Effective tariffs both simple and weighted average are also low for India.
- **The third category** with Preferential share ranging from 13% to 28% includes MERCOSUR (25.7%),

SAARC (23.1%), Nepal (27.7%), Afghanistan (20.7%) and Sri Lanka (13.4%) having relatively higher average weighted preferential tariffs of 4 to 8%. In all these countries, simple average preferential tariffs on imports from India are also high except for Sri Lanka. Effective Tariffs both Simple and Weighted are high or very high in all these FTAs for imports from India. In the case of MERCOSUR and Nepal, the Effective tariffs both simple and weighted average are very high.

- **The fourth category** consists of Singapore which has a negligible Preferential share in total imports from India of 0.2% with zero preferential tariffs. This is because Singapore's MFN tariffs itself is zero on almost all items.
- **The fifth category** consists of Malaysia and Thailand for which the latest preferential tariff data are not available in the WITS database. Even the earlier data are discontinuous. In 2014 and 2015, the latest year for which data are available for Malaysia and Thailand respectively, the share of preferential imports from India in total imports was 37.7% and 46.8% respectively. Since the latest tariff data are not available, not much analysis is possible for these countries.

Table 4.6 : Preferential Tariffs on imports from India by PTA/FTA/RTA Partner Countries in 2018 : A Comparison

Countries	Simple Average Tariffs			Weighted Average Tariffs			Imports (US\$ Million) 2018		Share of Pref. Imports to Total Imports (%)
	Effective	MFN	Pref.	Effective	MFN	Pref.	Total	Pref.	
Afghanistan	7.1	8.1	7.9	4.4	5.2	5.5	557	115	20.7
Sri Lanka	6.4	10.2	2.0	7.4	9.3	4.0	4413	589	13.4
Chile	5.9	6.0	4.7	5.6	6.0	5.1	982	383	39.0
Japan	1.7	4.4	0.8	0.7	2.7	0.8	5469	2367	43.3
Korea, Republic of	5.2	12.1	1.4	6.9	11.1	1.3	4948	3412	69.0
Nepal	9.7	12.4	7.1	12.7	14.0	8.7	7296	2019	27.7
Singapore	0.0	0.5	0.0	0.0	2.5	0.0	7247	12	0.2
SAARC	7.3	11.5	4.9	9.4	10.9	7.0	14480	3348	23.1
APTA	6.6	10.5	2.7	4.4	6.7	2.3	25707	13329	51.8
MERCOSUR	13.6	13.6	7.2	11.4	11.5	6.2	5035	1296	25.7
ASEAN	3.1	5.2	3.8	4.0	6.3	6.5	20788	9908	47.7

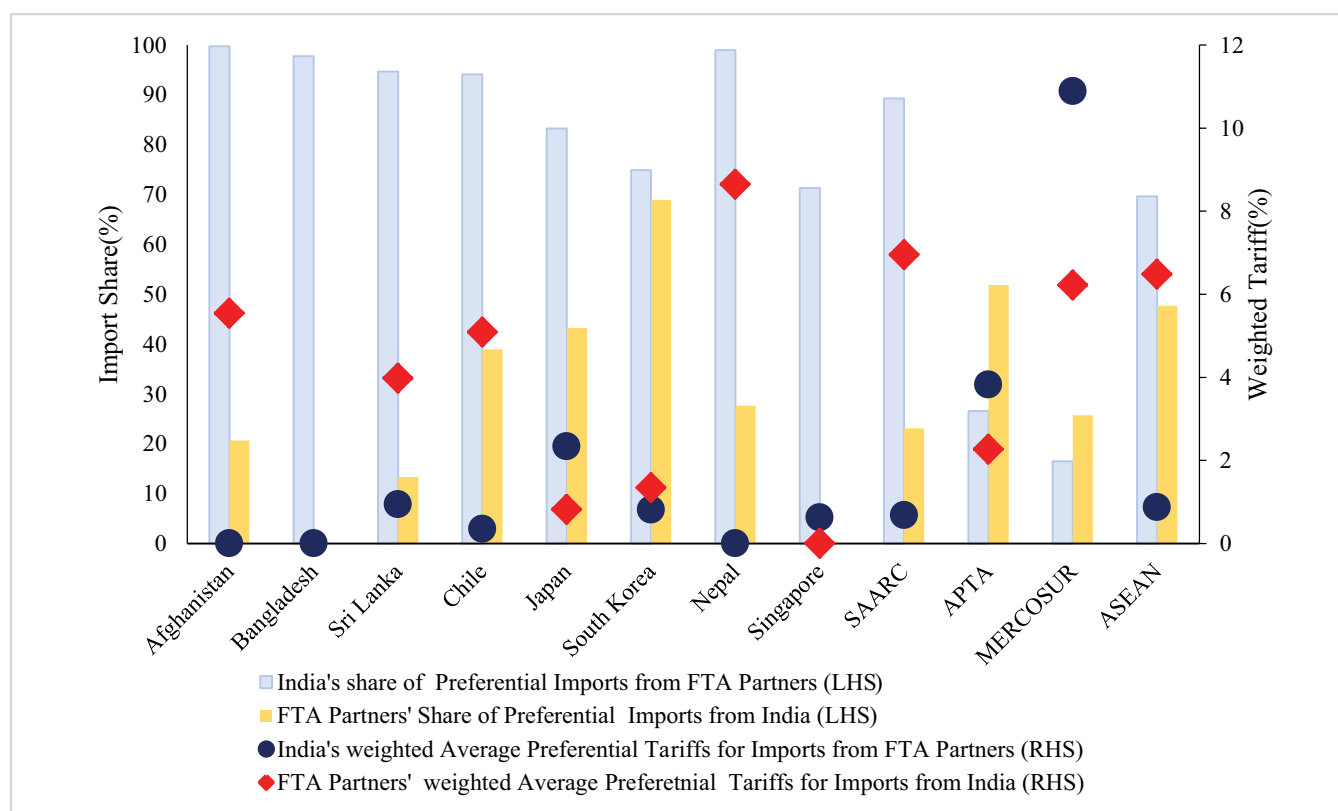
Source : Computed from the WITS database.

Note: In the case of group of countries, the average tariffs of FTA partners excluding India are calculated using the WITS database.

4.2.3.3 Preferential Imports by India/by India's FTA partners : A Contrast

There is a sharp contrast between the share of Preferential imports and tariffs of India's different PTAs/FTAs on the import and export sides. The share of preferential imports from India by India's FTAs in their imports is much lower than India's share of preferential imports from these FTAs in India's imports. Even the preferential tariffs for imports from India by these FTAs are relatively higher than India's preferential tariffs for imports from these FTAs leaving some exceptions (Figure 4.1).

Figure 4.1: Preferential Tariffs (Weighted) and Share of Preferential Tariff Imports from/to India's FTA Partners-2018



Source: Compiled from WITS database

The contrast between the import and export side of FTAs is very clear as can be seen from Figure 4.1. The red-coloured diamonds giving the weighted average preferential tariffs of India's FTA partners on imports from India are higher than the black dots which indicate India's weighted average preferential tariffs on imports from most of these FTAs. Japan, Singapore, APTA and MERCOSUR are the only exceptions. The share of preferential imports of India from its FTAs given by the blue bar is higher than the yellow bar giving the share of preferential imports of FTA partners from India for most FTAs except APTA and MERCOSUR. **Thus, there is some sort of an 'Unequal Exchange' for India in its FTAs in terms of both tariffs and preferential imports/exports with some exceptions.**

Some sort of balance in terms of Preferential trade can be seen only in the case of India-South Korea preferential trade, where both the preferential trade shares and preferential tariffs on both the import and export sides are near to each other. In the case of APTA and MERCOSUR the balance seems to have shifted in India's favour in terms of both the preferential tariffs and shares of preferential trade. While APTA's preferential trade with India is reasonably high, India-MERCOSUR preferential trade is limited. In India-Singapore CECA, India has not gained any tariff concessions, instead, it has given substantial tariff concessions. The gains need to be seen only in other parameters covered in the CECA.

Another thing to be noted is that the Preferential tariffs (weighted) is much lower than MFN tariffs on India's import side, while in India's partner's import side, Preferential tariffs are closer to MFN tariffs with some exceptions. **This indicates that the Margin of Preference given by India to its FTA**

partners is higher than the Margin of Preference given by them.

One more thing to be noted is that more than the utilization rate of FTAs being lower by India on the export side as mentioned in some studies, it is the low coverage of items under preferential trade in the imports of FTA partners of India and the relatively low preference margins which are important. While preferential tariffs are extended by India's FTA partners to India, unlike India, the majority of items are not covered in the given sector at the 2-digit level. Further, the preference margin by India for imports from its FTAs is higher than the preference margin by India's FTAs for imports from India. Thus, India's FTAs with some exceptions seem to have been less beneficial from the tariff point for India, though there are other considerations.

4.3 Tariffs by India on Imports from FTAs and Vice-Versa: Sector-Wise Analysis

India's Preferential Tariffs and Effective Tariffs for different FTAs based on 2-digit HS level data are analyzed here. In the case of India's FTAs with LDCs of Asia like Afghanistan, Bangladesh and Nepal, since the average Preferential and Effective tariffs are zero or near to zero, the sector-wise tariffs are also zero or near to zero. So, these FTAs/RTAs are not considered for sector-wise analysis. MERCOSUR is also not considered as India's preferential trade with MERCOSUR is limited. In the case of Chile, its share in India's total trade is limited and so it is also not considered.

Sector-wise analysis at the 2-digit level will focus on the remaining FTAs/RTAs, namely Sri Lanka, Japan, South Korea and Singapore as individual countries and APTA, SAARC, ASEAN as groups. Thailand and Malaysia are considered in a limited way as sector-wise tariff data are available for recent years only on the import side of India.

To see the sector-wise Preferential tariffs and Effective tariffs in the different FTAs/RTAs, we have sorted India's imports from the FTAs in descending order and taken all 2-digit codes above a particular cut off basically with imports above 10 million for individual countries and above \$50 million for country groups with some exceptions in cut-offs. The Weighted Average Effective and Preferential tariffs of these items for the FTAs as well as Weighted Average MFN and Effective tariffs for the World are given against them for the different FTAs in this analysis. A similar exercise has been done on the export side (i.e., FTA partners' imports from India) also. The results are analyzed in the following sections. **In this section, wherever preferential, Effective or MFN tariffs are mentioned they are weighted average tariffs unless otherwise stated.**

4.3.1 India-Sri Lanka Preferential Trade

The India-Sri Lanka Free Trade Agreement (ISFTA) has been in operation since 1st March 2000. Under this Agreement, both countries agreed to phase out tariffs from each other within a fixed time frame except for those items in the Negative List of each other. India has provided duty-free access to almost all the lines, except on 556 lines (mainly related to textiles) on which 25% duty concessions are provided and on 430 products on which no concessions are given. Tariff rate quotas have been prescribed by India on import of apparel, tea, pepper, desiccated coconut and vanaspati, bakery shortening and margarine from Sri Lanka. Under ISLFTA, Sri Lanka has provided duty-free access

for many products except, 1220 products on which no tariff concessions have been provided under ISLFTA.

Both countries are discussing a broader economic engagement through a proposed Economic and Technology Cooperation Agreement (ETCA). The proposed ETCA would cover trade in services, investment and economic and technology cooperation, in addition to the trade in goods. Text-based negotiations are in progress (DOC 2018-19).

4.3.1.1 India's Imports from Sri Lanka

Preferential Tariff items form 94.7% of total imports of India from Sri Lanka. Import items at the two-digit level above \$10 million form more than 93% of total imports and 94.1% of Preferential Imports. (Table 4.7); Except 8 items at the 2-digit level in this list, all others have '0' Preferential Tariffs for Sri Lanka. Even for these 8 items, Preferential Tariffs are much lower than India's MFN Tariffs to the world.

Among these 8 items, there are 3 Agricultural items. Of them, Coffee, Tea and Mate has both Preferential and Effective tariffs of 6.22% and Preferential Tariff covers all imports under this code. India's weighted average MFN Tariff and Effective Tariff to the world in this item are 55.1% and 25.7% respectively. Edible Fruits and Nuts is another item with non-zero but near-zero Preferential Tariff of 0.34% covering all imports under this code. The third Agricultural item, Animal or Vegetable Fats and oils, etc., has weighted average Preferential Tariffs of 8% covering all items in the code and is only slightly lower than India's weighted average MFN Tariffs.

In the Non-Agricultural sector, Rubber and Articles have Preferential and Effective Tariff of 1.6% and 2.0%, much lower than India's MFN and Effective Tariffs to the World. Three textiles items, which are fully covered under Preferential Tariffs have relatively high Preferential Tariffs of 7.5% for knitted or crocheted fabrics, 5.0% for special woven fabrics and 5% for man-made staple fibers. The MFN Tariffs of India for these items are higher. For imports from Sri Lanka, India has non-zero but very low Preferential Tariffs for Mineral Fuels, etc., (0.09%) and for around one-fifth of the items in Plastics and Articles category (0.22%).

Table 4.7 : India's Preferential and Effective Tariffs for Sri Lanka in 2018
(with Import Values above \$10mn)

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	Sri Lanka		World
				Effective	Preferential	MFN
89	Ships, Boats, etc	535.7	523.7	0.0	0.0	7.7
09	Coffee, Tea, Mate and Spices	112.9	112.9	6.2	6.2	55.1
23	Residues from Food Industries; etc	112.3	112.3	0.0	0.0	25.4
84	Nuclear Reactors, Boilers, Machinery, etc	56.5	56.4	0.0	0.0	6.1
62	Articles of Apparel & Clothing, Not knit	53.8	53.8	0.0	0.0	10
85	Electrical Machinery, Equipment, etc	53.2	52.8	0.0	0.0	4
08	Edible Fruit and Nuts; etc.	48.9	48.9	0.3	0.3	36
74	Copper and Articles thereof	42.5	42.5	0.0	0.0	5.4

40	Rubber and Articles thereof	37.8	36.1	2.0	1.6	12.7
47	Pulp of Wood; etc	37.8		0.0		2.4
60	Knitted or Crocheted Fabrics	37.1	37.1	7.5	7.5	10
61	Articles of Apparel & Clothing, Knit, etc	34.7	34.7	0.0	0.0	10
94	Furniture; Bedding, Mattresses, etc	31.9	31.9	0.0	0.0	10
87	Vehicles other than Railway, Rolling-stock, etc	29.5	29.5	0.0	0.0	16.1
48	Paper and Paperboard, etc	23.0	18.3	2.0	0.0	10
78	Lead and Articles thereof	17.1	17.1	0.0	0.0	5
71	Natural or Cultured Pearls, etc	16.0	16.0	0.0	0.0	10.1
27	Mineral Fuels, Oils and Products; etc	15.2	0.1	0.1	0.1	0.8
22	Beverages, Spirits and Vinegar	15.1	15.0	1.7	0.0	86.1
58	Special Woven Fabrics; etc	14.7	14.7	5.0	5.0	10
72	Iron and Steel	14.6	14.6	0.0	0.0	8.2
76	Aluminium and articles thereof	14.5	14.5	0.0	0.0	6.1
68	Articles of Stone, Plaster, Cement, etc	14.5	14.5	0.0	0.0	10
11	Products of the Milling Industry; etc	13.7	13.7	0.0	0.0	32.2
15	Animals or Vegetable Fats and Oils etc	11.7	11.7	8.0	8.0	11
55	Man – made Staple Fibres	11.3	11.3	5.0	5.0	10
33	Essential Oils and Resinoids; etc	11.2	11.2	0.0	0.0	18.5
39	Plastics and Articles thereof	10.8	2.0	8.6	0.2	8.3
38	Miscellaneous Chemical Products	10.5	10.5	0.0	0.0	8.2

Source: Computed from WITS database

Thus, India has extended zero Tariffs or near-zero Tariffs for most of the items imported from Sri Lanka including some sensitive items in Agriculture sector under Edible Fruits & Nuts category and even for Beverages, Spirits and Vinegar (0%) for which India's MFN and Effective Tariffs to World is very high at above 80%. For only two major import items in the agricultural sector, Preferential duties are significant. These are coffee, tea, mate and spices (6.2%) and animals or vegetable fats and oils (8%). All others have zero or near-zero tariffs. In the case of the non- agricultural sector also, zero or near-zero tariffs have been extended to most of the major items including rubber and articles. Preferential tariffs are slightly high only for some textile items.

The Effective Tariffs (AHS) is almost equal to Preferential Tariffs in the case of most of the imports of India from Sri Lanka implying that Preferential Tariffs cover most of the items imported by India from Sri Lanka, which is also evident from the sector-wise preferential import figures which are equal or near to sector-wise total imports by India

4.3.1.2 Sri Lanka's Imports from India

Sri Lanka's imports from India mirror India's exports to Sri Lanka. Preferential imports form only 13.4% of Sri Lanka's imports from India in 2018 in value terms, though simple average and weighted average Preferential Tariffs are 2.0% and 4.0% respectively and despite Sri Lanka extending zero tariffs for many items for India. Since for the remaining 86.6% non-preferential imports in value terms, MFN Tariffs applies, Sri Lanka's Simple and Weighted Average Effective Tariffs for India are higher at 6.4%

and 7.4% respectively. Import items at the two-digit level above \$50 million form more than 87.4% of total imports and 73.1% of Preferential Imports (Table 4.8).

In the list of items with an import value of the two-digit code above \$50 million, Sri Lanka has extended zero Tariffs in a few two-digit codes and that too for few items in the code where imports from India are less. The only items in which India has been given real concessions with high preference margin are in the Non-Agricultural sector with Articles of Iron and Steel having a 1.9% Preferential tariff with substantial preferential imports compared to 15.5% MFN tariff. Similarly, for Paper and Paperboard and Plastic Articles, the preference margins are high.

Among the items with total imports from India of the two-digit codes below \$50 million, zero tariffs are there for some items where Preferential Imports are negligible, though total imports are not low implying that only a few items in the code which are not of much export relevance for India have Preferential Tariffs. The only significant item of export interest for India in the below \$50 million list is Glass and Glassware with a 1.9% Preferential tariff compared to 13.5% MFN Tariff. The import of this item by Sri Lanka from India is also significant and Preferential imports cover a major part of this code.

**Table 4.8 : Sri Lanka's Preferential and Effective Tariffs for India in 2018
(with Import Value above \$50 mn)**

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	Effective	Preferential	MFN
27	Mineral Fuels, Oils, Products; etc	695.2		0.4		0
87	Vehicles other than Railway, Rolling-stock, etc	506.2	74.8	5.5	14.5	16.2
72	Iron and Steel	292.5	42.9	0.7	0	2.4
25	Salt; Sulphur; Earth, Stone; etc	291.7	4.7	0.5	0	1.2
10	Cereals	241.4	0.0	42.3	1.1	27.7
52	Cotton	232.8		0		0
84	Nuclear Reactors, Boilers, Machinery, etc	217.9	51.4	1.7	3.4	2.6
30	Pharmaceutical Products	208.5		0.3		0.3
60	Knitted or Crocheted Fabrics	132.5		0		0
93	Arms and Ammunition; etc	121.2	0.0	0	0	0.1
7	Vegetable seeds; Vegetables, etc	114.8	3.2	17.3	0	14.8
85	Electrical Machinery, Equipment, etc	114.7	54.9	5.7	5.1	4.9
73	Articles of Iron or Steel	102.8	64.7	3.4	1.9	15.5
48	Paper and Paperboard, etc	101.4	67.9	2.7	2.6	7.6
62	Articles of Apparel & Clothing not Knit, etc	97.5		0		0
39	Plastics and Articles thereof	87.3	35.4	3.7	1.6	6.3
9	Coffee, Tea, Mate and Spices	80.6	8.1	20	5.4	22.3
55	Man – made Staple Fibres	62.1		0		0
28	Inorganic Chemicals; etc	54.5	0.8	0	0	0.1
40	Rubber and Articles thereof	50.7	0.0	12.9	5	11.9
38	Miscellaneous Chemical Products	50.6	22.0	0.9	0	3.5

Source: Computed from WITS database.

Leaving the few exceptions, by and large, India's preferential trade with Sri Lanka in terms of Tariffs is one of "Unequal Exchange", with fewer benefits for India compared to Sri Lanka. While there is a need to re-negotiate at least for some items with Sri Lanka, the preferential treatment to Sri Lanka and vice-versa should serve as an eye-opener while negotiating future FTAs.

4.3.2 India-Japan Preferential Trade

A Comprehensive Economic Partnership Agreement (CEPA) between India and Japan was signed on 16th February 2011 which came into force from 1st August 2011. Under the institutional mechanism of CEPA, the 5th Joint Committee meeting was held in December 2018 in New Delhi.

4.3.2.1 India's Imports from Japan

Preferential imports form 83.4% of the total imports of India from Japan. Import items at the two-digit level above \$10 million form more than 99.7% of total imports and 99.7% of Preferential imports of India from Japan (Table 4.9).

While among the above \$10 million imports, only one textiles item at the two-digit level has zero duties, almost all the items have Preferential Tariffs, which are much lower than India's MFN Tariffs for these items (Zero duties have been extended by India particularly for textiles items below the 10 million cut-off level but their imports are less). Among the top items, Iron and Steel items have near-zero preferential tariffs.

Except for one item, Oilseeds and Oleaginous Fruits with 3.0% preferential duty and very high preferential margin (as reflected in the difference between Preferential Tariff and MFN Tariff), all other items are in the Non-Agricultural sector. Though the preferential tariff is very high in the case of one major import item i.e. Vehicles other than Railways or Tramways, etc. at 7.1%, the preference margin is also high as India's MFN tariff for this item is more than double the preferential tariff at 16.1%.

**Table 4.9 : India's Preferential and Effective Tariffs for Japan in 2018
(with Import Values above \$10 mn)**

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	Japan		World
				Effective	Preferential	MFN
84	Nuclear Reactors, Boilers, Machinery, etc	4013.1	3624.7	3.2	2.9	6.1
85	Electrical Machinery, Equipment, etc	1732.4	1066.0	3.0	2.5	4
72	Iron and Steel	1505.7	1505.7	0.1	0.1	8.2
39	Plastics and Articles thereof	1069.3	1001.2	2.6	2.1	8.3
29	Organic Chemicals	986.8	473.9	2.1	2.1	6.1
90	Optical, photographic, cinematographic, etc	924.4	797.7	2.4	2.8	6.4
87	Vehicles other than Railway, Rolling-stock etc	674.4	329.4	11.6	7.1	16.1
74	Copper and Articles thereof	506.0	506.0	1.3	1.3	5.4

73	Articles of Iron or Steel	469.8	384.9	4.3	3.0	10
40	Rubber and Articles thereof	354.3	324.9	3.2	2.6	12.7
27	Mineral Fuels, Oils and Products; etc	327.0	223.9	2.6	2.7	0.8
89	Ships, Boats, etc	319.5	319.5	1.8	1.8	7.7
28	Inorganic Chemicals; etc	302.1	294.4	2.1	1.9	6.9
38	Miscellaneous Chemical Products	247.3	226.6	2.6	2.1	8.2
71	Natural or Cultured Pearls, etc	191.1	191.1	2.7	2.7	10.1
82	Tools, Implements, Cutlery, etc	182.3	182.3	3.6	3.6	10
48	Paper and Paperboard, etc	142.5	103.2	4.7	2.7	10
34	Soap, Organic Surface- Active Agents, etc	122.1	121.6	2.0	2.0	9.1
32	Tanning or Dyeing Extracts; etc	94.8	93.4	2.1	2.0	9
54	Man-made Filaments	87.4	86.8	0.7	0.6	10
68	Articles of Stone, Plaster, Cement, etc	79.7	52.8	5.2	2.7	10
70	Glass and Glassware	65.2	65.0	2.7	2.7	10
37	Photographic or Cinematographic Goods	57.3	57.3	2.7	2.7	10
75	Nickel and articles thereof	52.1		0.0		0
96	Miscellaneous Manufactured Articles	47.3	47.3	3.6	3.6	10
25	Salt; Sulphur; Earths & Stone; etc	35.3	35.3	2.0	2.0	6
76	Aluminium and articles thereof	34.6	34.6	1.1	1.1	6.1
55	Man – made Staple Fibres	34.6	34.6	1.2	1.2	10
56	Wadding, Felt and Nonwovens; etc	31.1	31.1	0.0	0.0	10
69	Ceramic Products	29.6	29.0	2.8	2.8	7.9
83	Miscellaneous Articles of Base Metal	28.9	28.9	3.6	3.6	10
94	Furniture; Bedding, Mattresses, etc	28.8	28.8	3.6	3.6	10
81	Other Base Metals; etc	27.3	27.3	2.0	2.0	6.4
33	Essential Oils and Resinoids; etc	26.6	1.4	9.6	2.9	18.5
79	Zinc and Articles thereof	25.6	25.6	1.4	1.4	5.4
30	Pharmaceutical Products	24.2	24.2	2.7	2.7	10
35	Albuminoidal Substances; etc	22.9	16.5	5.6	2.7	13.1
26	Ores, Slag and Ash	20.5	20.5	1.3	1.3	2.5
95	Toys, Games and Sports Requisites; etc	18.8	18.8	3.6	3.6	11.4
91	Clocks and Watches, etc	15.6	15.6	3.0	3.0	9.7
49	Printed Books, Newspapers, etc	12.9	12.9	2.7	2.7	9.7
12	Oil Seeds, Oleaginous Fruits; Misc. Grains, etc	12.3	12.3	3.0	3.0	30.5
88	Aircraft, Spacecraft, etc	10.0	10.0	1.1	1.1	3.3

Source: Computed from WITS database.

4.3.2.2 Japan's Imports from India

Japan has given Preferential Tariffs only for 43.3% of the imports from India. The top items with import values of \$50 million and above at the two-digit level, given in the table, form more than 86% of the imports of Japan from India and 79% of preferential imports from India (Table 4.10).

While for most of the items zero or near-zero Preferential Tariffs have been extended to India, the Preferential benefits are relatively less as MFN Tariffs for these items itself is low. Two items, Article of Leather, etc., and Footwear have preferential Tariffs of 2.7% and 15.8% respectively. However, the preference margin is high as Japan's MFN Tariffs are 10.1% and 34.5% respectively. Articles of Apparel, not knit is another important item with a high preference margin as Preferential Tariff for India is zero, but MFN Tariff is 9.1%.

Among the items between \$10 million and \$50 million of imports at the two-digit level, in some items, India has benefits as the preference margin is high and imports are reasonably high. These include articles of apparel, etc. knit; other made-up textiles articles, etc.; Carpets, etc.; preparations of Meat, fish, etc.; preparations of vegetables, etc.; man-made staple fibers; man-made filaments; and miscellaneous edible preparations.

Thus, mainly in textiles items, footwear and leather items; organic chemicals and fish and related items, edible fruits and nuts, etc. India has relatively higher preferential benefits in Japan.

**Table 4.10 : Japan's Preferential and Effective Tariffs for India
(with Import Value above \$50mn)**

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	Effective	Preferential	MFN
27	Mineral Fuels, Oils & Products; etc	842.7	0.02	0.0	0.0	0.0
29	Organic Chemicals	720.1	626.58	0.0	0.0	2.4
71	Natural or Cultured Pearls, etc	448.7	20.65	0.0	0.5	0.9
3	Fish and Crustaceans, Molluscs, etc	421.5	404.33	0.8	0.7	3.8
72	Iron and Steel	275.3	139.52	0.3	0.6	0.5
84	Nuclear Reactors, Boilers, Machinery, etc	265.2		0.0		0.0
87	Vehicles other than Railway, Rolling-stock, etc	209.8		0.0	0.0	0.1
76	Aluminium and articles thereof	209.7	2.51	0.0	0.0	0.9
26	Ores, Slag and Ash	208.6		0.0		0.0
62	Articles of Apparel & Clothing, not Knit, etc	208.0	207.98	0.0	0.0	9.1
39	Plastics and Articles thereof	126.0	123.76	0.0	0.0	3.5
90	Optical, photographic, cinematographic, etc	107.1	0.03	0.0	0.0	0.1
42	Articles of Leather; etc	96.5	96.46	2.7	2.7	10.1
85	Electrical Machinery, Equipment, etc	91.4	4.09	0.0	0.0	0.0
32	Tanning or Dyeing Extracts; etc	91.4	82.97	0.0	0.0	3.1

8	Edible Fruit and Nuts; etc.	84.1	0.38	0.0	0.5	9.5
23	Residues from Food Industries; etc	73.5	0.47	0.0	0.0	1.8
38	Miscellaneous Chemical Products	64.3	63.86	0.0	0.0	1.4
52	Cotton	63.3	57.56	0.0	0.0	3.9
30	Pharmaceutical Products	61.9		0.0	0.0	0.1
64	Footwear, etc	51.9	42.78	15.0	15.8	34.5

Source: Computed from WITS database.

The above analysis shows that in the India-Japan preferential trade, while the preference margin is high in the case of most of the items on India's import side, on the Japanese side, the preference margin is relatively less as already India enjoys low or zero MFN tariffs in Japan. But in some important items of export interest to India like leather and footwear, organic chemicals and fish & related items, India has benefitted. Thus India-Japan CEPA is relatively a 'fair exchange' in terms of tariffs.

4.3.3 India-Republic of Korea Preferential Trade

A Comprehensive Economic Partnership Agreement (CEPA) between India and the Republic of Korea was signed on 7th August 2009 which came into force from 1st January 2010. The two sides commenced negotiations for the upgradation of CEPA in 2016. The negotiations are still underway with the 6th round of negotiations held on June 20-21, 2018 in New Delhi & 7th round of negotiations held on December 11-12, 2018 in Seoul. An early harvest package was signed in July 2018 as a part of the ongoing negotiations.

4.3.3.1 India's Imports from the Republic of Korea

The share of preferential imports to total imports of India from the Republic of Korea is around 75%. The \$50 million cut-off at the two-digit level covers more than 97.5% of the imports of India from Korea and 97.6% of preferential imports of India from Korea (Table 4.11).

Almost all items above the \$50 million cut off have zero, near-zero or low preferential tariffs except Vehicles other than Railways, etc. (6.0%) and Inorganic Chemicals (2.8%). However, in both these cases, preference margin is high as India's MFN tariffs are high at 16% and 6.9% respectively. Major items with zero, near-zero and low duties include Electrical Machinery, etc.; Iron & Steel and other Metals; Nuclear Reactors, etc.; Optical, Photographic items, etc.; Plastics & Articles; Chemicals; Rubber & Articles; Paper & Paperboard; Tanning or Dyeing extracts; and some textiles items.

In the \$10 million to \$50 million import range also there are many codes under which tariffs are Zero or low and the preference margin is high. These include pharmaceutical items, textiles items, natural cultured pearls, ores & metals, etc.

Most of the Preferential Tariff items are non-agricultural. In agricultural items, Preferential tariffs have been extended mainly to oil seeds and oleaginous fruits. Though it is also extended to miscellaneous edible preparations, the Preferential Tariffs (weighted) are relatively high at 15.9%. In fact, many agricultural items are not even imported from Korea.

**Table 4.11 - India's Preferential and Effective Tariffs for the Republic of Korea in 2018
(with Import Value above \$50mn)**

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	Republic of Korea		World
				Effective	Preferential	MFN
85	Electrical Machinery, Equipment, etc	3193.0	1987.3	1.3	1.1	4
72	Iron and Steel	3027.0	2901.9	0.4	0.2	8.2
84	Nuclear Reactors, Boilers, Machinery, etc	2842.5	2474.3	1.6	0.9	6.1
39	Plastics and Articles thereof	2176.5	994.0	4.7	1.0	8.3
29	Organic Chemicals	1392.1	1069.7	1.9	0.5	6.1
27	Mineral Fuels, Oils, Products; etc	1071.9	108.3	0.2	0.0	0.8
87	Vehicles other than Railway, Rollingstock etc	883.5	669.6	7.2	6.0	16.1
79	Zinc and Articles thereof	564.2	564.2	0.0	0.0	5.4
90	Optical, photographic, cinematographic, etc	501.4	481.1	0.0	0.0	6.4
89	Ships, Boats, etc	496.0	454.4	0.0	0.0	7.7
40	Rubber and Articles thereof	438.7	320.4	2.8	0.1	12.7
73	Articles of Iron or Steel	411.4	330.3	2.3	0.4	10
48	Paper and Paperboard, etc	361.8	358.6	0.1	0.1	10
76	Aluminium and articles thereof	334.0	326.2	0.2	0.0	6.1
38	Miscellaneous Chemical Products	262.9	258.3	1.2	1.1	8.2
82	Tools, Implements, Cutlery, etc	220.7	220.7	0.0	0.0	10
78	Lead and Articles thereof	218.4	218.4	0.0	0.0	5
28	Inorganic Chemicals; etc	199.0	198.6	2.8	2.8	6.9
74	Copper and Articles thereof	99.1	87.8	0.6	0.0	5.4
32	Tanning or Dyeing Extracts; etc	95.5	91.8	0.6	0.3	9
83	Miscellaneous Articles of Base Metal	84.7	62.9	2.6	0.0	10
54	Man-made Filaments	83.4	12.1	8.6	0.0	10
94	Furniture; Bedding, Mattresses, etc	62.9	61.0	0.4	0.1	10
34	Soap, Organic Surface-Active Agents, etc	61.0	61.0	0.2	0.2	9.1

Source: Computed from WITS database

4.3.3.2 Republic of Korea's Imports from India

In the imports of the Republic of Korea from India, 69% of imports have Preferential Tariffs. The \$50 million cut-off point includes around 85% of the Republic of Korea's imports from India and 80% preferential imports from India (Table 4.12).

Out of 19 codes in the list, 16 have '0' preferential duties. But the preference margin is not that high compared to India's preference margin for imports from Korea. This is because Korea's MFN tariffs are relatively lower. The major items with Preferential tariffs of zero or low duties (other than mineral fuels which have zero or low tariffs in all countries) are Aluminum, Organic Chemicals, Iron & Steel, Nuclear Reactors, etc., Cotton, Zinc, etc. and Electrical Machinery, etc.

In the case of oilseeds and oleaginous fruits, while preferential tariffs are 3.7%, MFN Tariffs are 244.2%. However, Korea's preferential imports of this item from India is less. Residues and waste from the food industry with 4.1% preferential tariff is the other agricultural item in this list. Among the items in the cut-off range \$10 million to \$50 million also there are many items with 0 or low tariffs covering textiles, leather, rubber & articles, edible fruits & nuts, etc.

**Table 4.12 : Republic of Korea's Preferential and Effective Tariffs for India in 2018
(with Import Value above \$50mn)**

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	Effective	Preferential	MFN
27	Mineral Fuels, Oils, Products; etc	1048.5	15.1	0	0	2.6
76	Aluminium and articles thereof	849.3	841.8	0	0	3.1
29	Organic Chemicals	460.2	380.6	0	0	4.4
72	Iron and Steel	366.3	262.6	0	0	0.3
84	Nuclear Reactors, Boilers, Machinery, etc	204.1	188.9	0	0	
52	Cotton	186.7	181.1	1.8	1.9	5.6
79	Zinc and Articles thereof	144.8	144.8	0	0	3.8
85	Electrical Machinery, Equipment and Parts, etc	135.1	129.7	0	0	5.6
26	Ores, Slag and Ash	134.4	0.5	0	0	0
23	Residues and Waste from the Food Industries; etc	109.6	69.0	2.6	4.1	5.5
32	Tanning or Dyeing Extracts; etc	81.1	81.1	0	0	6.7
78	Lead and Articles thereof	75.1	75.1	0	0	3.3
71	Natural or Cultured Pearls, etc	72.8	72.8	0	0	3.8
38	Miscellaneous Chemical Products	63.9	63.8	0	0	4.7
87	Vehicles other than Railway or Tramway Rolling-stock, etc	61.6	59.3	0	0	8
30	Pharmaceutical Products	58.3	57.6	0	0	5
90	Optical, photographic, cinematographic, etc	54.5	52.5	0	0	6.9
12	Oil Seeds & Oleaginous Fruits; Misc. Grains, etc	53.1	14.1	406.9	3.7	244.2
28	Inorganic Chemicals; etc	51.1	51.1	0	0	4.1

Source: Computed from WITS database.

Thus, in the case of Indo Korea Preferential trade, while in terms of share of preferential items in imports of India/Korea there is some sort of equal exchange, in terms of preference margins the imbalance is there mainly due to relatively lower MFN Tariffs of Korea.

4.3.4 India-Singapore Preferential Trade

India's first Comprehensive Economic Cooperation Agreement (CECA) was signed with Singapore on 29th June 2005 and became operational from 1st August 2005. The 1st Review of India-Singapore CECA was concluded on 1st October 2007. The conclusion of the 2nd Review of India-Singapore

CECA was announced on 1st June 2018 and the provisions of the Protocol amending the CECA based on the 2nd Review came into effect on 14th September 2018. The 3rd Review of India - Singapore CECA was launched on 1st September 2018.

4.3.4.1 India's Imports from Singapore

Preferential tariff items form around 71% of imports of India from Singapore. The cut-off of \$50 million covers more than 96% of imports of India from Singapore and 95% of preferential imports (Table 4.13).

India has extended zero/near-zero to 1% tariffs for most of the items which also have high preference margins. These include electrical machinery; nuclear reactors, etc.; organic and miscellaneous chemicals; plastics; ships, boats, etc.; optical, photographic items; natural or cultured pearls, etc.; Iron & Steel & Iron & Steel items; and other minerals. The exceptions are Pharmaceuticals with 4.2% average weighted preferential tariffs and vehicles other than railways which has 3.1% average weighted preferential tariffs, but has high preference margins, as MFN tariff is 16.1 percent and includes many auto components (Code 87: Vehicles other than Railway or Tramway, Rolling-stock, etc.) possibly needed for high-end cars sold in India.

Important agricultural items in top imports with zero or near-zero preferential tariffs are animal or vegetable fats and oils; and edible fruits & nuts. Interestingly while zero Preferential tariffs are there for beverages, spirits and vinegar, this covers only a small portion of items in this category and for a majority of the items, MFN tariffs apply resulting in high Effective tariff of 147.9%.

**Table 4.13 - India's Preferential and Effective Tariffs for Singapore in 2018
(with Import Value above \$50mn)**

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	Singapore		World MFN
				Effective	Preferential	
85	Electrical Machinery and Equipment and Parts, etc	3078.2	1793.1	0.2	0.4	4
84	Nuclear Reactors, Boilers, Machinery, etc	2744.0	1207.0	0.5	1.0	6.1
29	Organic Chemicals	2254.5	1907.5	1.0	1.1	6.1
27	Mineral Fuels, Mineral Oils and Products, etc	1617.7	888.1	0.0	0.0	0.8
39	Plastics and Articles thereof	1382.5	1370.1	1.1	1.0	8.3
89	Ships, Boats, etc	973.0	896.1	0.0	0.0	7.7
90	Optical, photographic, cinematographic, etc	854.4	610.3	0.0	0.1	6.4
71	Natural or Cultured Pearls, etc	621.2	621.2	0.0	0.0	10.1
72	Iron and Steel	467.9	467.9	0.0	0.0	8.2
38	Miscellaneous Chemical Products	363.7	360.9	0.5	0.5	8.2
40	Rubber and Articles thereof	295.4	219.5	6.3	1.5	12.7
87	Vehicles other than Railway or Tramway Rolling-stock, etc	245.2	203.4	13.5	3.1	16.1

15	Animals or Vegetable Fats and Oils etc	242.9	0.2	9.8	0.2	11
73	Articles of Iron or Steel	150.4	150.4	0.1	0.1	10
32	Tanning or Dyeing Extracts; etc	129.8	129.7	0.2	0.2	9
76	Aluminium and articles thereof	120.0	120.0	0.0	0.0	6.1
74	Copper and Articles thereof	116.8	106.3	0.5	0.0	5.4
8	Edible Fruit and Nuts; etc.	108.0	108.0	0.0	0.0	36
22	Beverages, Spirits and Vinegar	83.4	0.8	147.9	0.0	86.1
48	Paper and Paperboard, etc	76.5	76.0	0.1	0.0	10
44	Wood and Articles of Wood; etc	67.0	67.0	0.0	0.0	7.4
23	Residues and Waste from the Food Industries; etc	62.6		28.2		25.4
33	Essential Oils and Resinoids; etc	55.9	55.9	1.5	1.5	18.5
30	Pharmaceutical Products	52.2	52.2	4.2	4.2	10
80	Tin and Articles Thereof	51.3	51.3	0.0	0.0	5.1

Source: Computed from WITS database

4.3.4.2 Singapore's Imports from India

The share of preferential tariff items in total imports of Singapore from India is only 0.2%. This is because all except one item imported from India have zero MFN tariff. The \$50 million cut off includes 97.8% of total imports and 100% of Preferential imports of Singapore.

In the case of Singapore, as pointed out by some studies, the data of India and Singapore differ (AIC & RIS, 2017). Thus, when Singapore's imports from India data are used to mirror India's exports to Singapore, there is a difference to the tune of US\$ 3170 million in 2018. This is mainly due to re-exports. However, re-exports will also have to qualify the test of Rules of Origin of CECA. Singapore also has the advantage of being a part of ASEAN-India FTA where rules of origin are more relaxed. However, this will not have any impact on our analysis of tariffs on India's export side as almost all items have zero tariffs with even the one item in top imports of Singapore with non-zero MFN tariff having zero Preferential tariff.

India already enjoys zero MFN tariff in Singapore and the preferential margin is almost nil (Table 4.14). The one item where there is a preferential tariff for India is Beverages, Spirits and Vinegar. Here though India has tariff benefit with zero preferential tariff and weighted average MFN tariff at 85.1%, import of this item by Singapore from India itself is low at only \$12.4 million in 2018.

Table 4.14 - Singapore's Preferential and Effective Tariffs for India in 2018
(with Import Value above \$10mn)

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	Effective	Preferential	MFN
27	Mineral Fuels, Mineral Oils, etc, and Products; etc	4155.1		0		0
71	Natural or Cultured Pearls, etc	703.9		0		0
84	Nuclear Reactors, Boilers, Machinery etc	302.7		0		0

29	Organic Chemicals	258.1		0		0
85	Electrical Machinery and Equipment and Parts, etc	223.9		0		0
74	Copper and Articles thereof	208.5		0		0
90	Optical, photographic, etc, cinematographic, etc	133.4		0		0
76	Aluminium and articles thereof	120.2		0		0
88	Aircraft, Spacecraft, etc	91.8		0		0
32	Tanning or Dyeing Extracts; etc	85.4		0		0
30	Pharmaceutical Products	75.7		0		0
72	Iron and Steel	75.1		0		0
62	Articles of Apparel not Knitted or Crocheted, etc	69.2		0		0
33	Essential Oils and Resinoids; etc	57.1		0		0
10	Cereals	56.0		0		0
39	Plastics and Articles thereof	52.5		0		0
73	Articles of Iron or Steel	43.1		0		0
38	Miscellaneous Chemical Products	38.0		0		0
87	Vehicles other than Railway, etc, or Tramway, Rolling-stock, etc	30.6		0		0
3	Fish and Crustaceans, Molluscs, etc	30.6		0		0
61	Articles of Apparel, Knitted or Crocheted, etc	28.7		0		0
82	Tools, Implements, Cutlery, etc	22.3		0		0
24	Tobacco and Manufactures; etc	21.9		0		0
8	Edible Fruit and Nuts; etc.	20.4		0		0
48	Paper and Paperboard, etc	19.5		0		0
34	Soap, Organic Surface- Active Agents, etc	17.1		0		0
79	Zinc and Articles thereof	16.7		0		0
21	Miscellaneous Edible Preparations	16.5		0		0
22	Beverages, Spirits and Vinegar	15.9	12.4	0	0	85.1
9	Coffee, Tea, Mate and Spices	15.6		0		0
28	Inorganic Chemicals; etc	13.2		0		0
64	Footwear, Gaiters and the Like; etc Articles	11.0		0		0
40	Rubber and Articles thereof	11.0		0		0
42	Articles of Leather; etc	10.8		0		0
19	Preparations of Cereals, Flour, etc or Milk; etc	10.6		0		0

Source: Computed from WITS database

Thus, in the case of India-Singapore Preferential trade, India does not enjoy tariff-related benefits. Instead, India has given substantial concessions to Singapore with zero or low tariffs in many items with high preference margins. The benefits need to be seen in areas other than tariffs.

4.3.5 India-Malaysia Preferential Trade

A CECA was signed with Malaysia on 18/2/2011 and became operational on 1st July 2011. Under this CECA, both countries have offered commitments over and above the commitments offered by them under the ASEAN-India Agreement on Trade in Goods.

4.3.5.1 India's Imports from Malaysia

Preferential imports is around 54% of India's imports from Malaysia. Codes above the \$50 million cut-off form around 96% of imports of India from Malaysia and 94% of preferential imports (Table 4.15). In most of these items preferential tariffs are zero, near-zero or low with preference margin high particularly in the case of rubber and articles; furniture, etc., glassware, Iron & Steel and articles of Iron & Steel; soaps, etc. and Miscellaneous Chemicals. Most of the Items below the \$50 million cut-off also have zero, near-zero or low preferential tariffs, with preference margin high particularly in the case of some important preferential import items like Paper, etc.; Vehicles other than Railways, Cocoa and Cocoa preparations and preparations of cereals.

In the case of India's imports from Malaysia, in agricultural and plantation items including items below the \$50 million cut off, there are some important zero or near-zero preferential tariff items. These include edible fruits and nuts, some animal and vegetable fats and oils including palm oil, sugars and sugar confectioneries, cocoa and cocoa preparations, preparations of cereals, preparations of vegetables, fruits, nuts and miscellaneous edible preparations. Among these items, animal or vegetable fats and oils is a major import item, though preferential imports are less. The effective tariff is high for this item indicating that for a major part of the items in this category MFN tariffs apply. This is also because the final tariff reductions took place in 2019, while the data is for 2018. Preparations of vegetables etc. and miscellaneous edible preparations also have high effective tariffs though their imports are less.

Key items of Malaysia's interest for which India has offered market access are fruits, cocoa, palm oil products and synthetic textiles. Under the Special Track, as per CECA, India had to reduce tariffs by 31/12/2016 from the Base rate for Pineapples (08043000) from 30% to 10%; ducks for hatching (code 04070010, 04070020 and 04070090) from 30% to 5%. For special products, India had to reduce tariffs by 31/12/2019 from the base rate for Crude Palm Oil (CPO) from 80% to 37.5%, Refined Palm oil (RPO) from 90% to 45% (for which only advancement of the timeline from 2019 to 2018 is offered compared to India-ASEAN Trade in Goods Agreement); Coffee, Tea, and Palm Kernel Oil and its fractions from 100% to 45%; Pepper from 70% to 50%; and margarine of Vegetable Origin (edible grade) from 80% to 45%. Some of these tariff concessions are not reflected in our table under preferential tariffs as the data is for 2018. Recently as a safeguard measure, India increased customs duty on Refined Bleached Deodorized Palmolein and Refined Bleached Deodorized Palm Oil (Codes 15119010 and 15119020) by 5% to 50% for 180 days for goods originating in Malaysia and imported under India-Malaysia CECA. This increase was imposed in September 2019 and lasted till 2nd March 2020. It has not been extended further (DOR, September 2019 and February 2020).

**Table 4.15 : India's Preferential and Effective Tariffs for Malaysia in 2018
(with Import Value above \$50mn)**

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	Malaysia		World
				Effective	Preferential	MFN
27	Mineral Fuels, Mineral Oils and Products; etc	3375.4	188.4	0.0	0.0	0.8
15	Animals or Vegetable Fats and Oils etc	1809.0	1.2	8.8	0.0	11
85	Electrical Machinery and Equipment and Parts, etc	1348.8	1135.7	0.2	0.2	4
84	Nuclear Reactors, Boilers, etc Machinery, etc	909.4	399.7	0.2	0.3	6.1
74	Copper and Articles thereof	731.1	694.6	0.3	0.0	5.4
29	Organic Chemicals	594.6	587.5	3.6	3.6	6.1
76	Aluminium and articles thereof	585.4	577.3	0.1	0.0	6.1
89	Ships, Boats, etc	496.8	496.8	0.0	0.0	7.7
72	Iron and Steel	413.6	413.6	0.0	0.0	8.2
44	Wood and Articles of Wood; etc	403.6	403.6	0.0	0.0	7.4
38	Miscellaneous Chemical Products	372.0	370.3	2.1	2.1	8.2
39	Plastics and Articles thereof	235.8	233.6	3.3	3.2	8.3
40	Rubber and Articles thereof	207.6	122.5	9.6	0.7	12.7
90	Optical, photographic, etc cinematographic, etc	176.9	143.1	0.4	0.0	6.4
94	Furniture; Bedding, Mattresses, etc	129.4	129.4	0.7	0.7	10
70	Glass and Glassware	126.7	126.4	1.3	1.3	10
73	Articles of Iron or Steel	101.5	101.2	1.0	0.9	10
28	Inorganic Chemicals; etc	83.0	83.0	0.1	0.1	6.9
25	Salt; Sulphur; Earths and Stone; etc	81.8	65.3	1.0	0.0	6
32	Tanning or Dyeing Extracts; etc	65.4	65.4	0.2	0.2	9
34	Soap, Organic Surface-Active Agents, etc	60.1	60.1	0.4	0.4	9.1
80	Tin and Articles Thereof	53.7	53.7	0.0	0.0	5.1
78	Lead and Articles thereof	53.5	53.5	0.0	0.0	5

Source: Computed from WITS database

4.3.5.2 Imports of Malaysia from India

The India-Malaysia CECA document indicates that the key items on which Malaysia has extended market access to India are Basmati Rice, Mangoes, eggs, trucks, motorcycles and cotton garments. As per the CECA under Speed Track, tariffs had to be reduced by 31/12/2016 from the base rate for Basmati Rice from 40% to 20% and for Motorcycles CBU new (Code 871120921) from 30% to 10%. The in-quota and out-quota tariff rates to be reduced to 0% and 10% respectively from MFN in-quota and out-quota rates of 10% and 50% for hens' eggs (codes 040700111 and 040700910) and ducks' eggs (codes 040700112 and 040700920).

In the case of India's FTA with Malaysia, the limitation is due to data availability. While the latest preferential tariff data on India's import side is available in WITS, the preferential tariff data of Malaysia's imports from India are not available beyond 2014. So, the preferential tariff data for 2014 at the 6-digit level along with the latest trade data for 2018 from ITC Trade Map have been taken for this analysis.

Taking the import data from ITC Trade Map and WITS tariff data for 2014, the top imports of Malaysia at the 6-digit level are taken first. Out of 319 import items at 6-digit level (with a share in total imports of 73.3%), 100 items were covered under preferential tariffs in 2014 (with a share in total imports of 32.1%), of which 48 items had zero duties. Out of the 100 top items, a list has been prepared for items with an import value of above \$10 million having preferential tariffs (Table 4.16). In the case of the top 2 petroleum related items, the preference margin for India is low, but imports of Malaysia have increased manifold in 2018 compared to 2011 when the FTA was implemented. The preference margin has been high and also imports by Malaysia from India has increased in many items like semi milled or wholly milled rice at the cost of imports from the rest of the world; Lead-acid accumulators, etc.; Single cotton yarn of combed fibres, etc.; furniture, etc.; parts of valve, etc. However, the value of imports of these items is not high.

**Table 4.16 : Malaysia's Preferential Tariffs for India with
Import value above \$10mn at the 6 digit HS Level**

6HS Code	Items	Total Imports (US \$ Million)		Imports from India (US \$ Million)		Preferential Imports from India (US\$ million)	Average Tariffs :2014		Preference Margin for India	Import Growth 2018/11 (%)	
		2011	2018	2011	2018	2014	PRF	MFN		World	India
271019	Medium oils and preparations, of petroleum, etc	5428.3	11621.7	59.2	2094.1	287.6	0.00	0.33	0.33	114.1	3436.1
271012	Light oils and preparations, of petroleum, etc	0.0	8589.2	0.0	303.0	711.2	0.00	0.42	0.42	Very High (Base 0)	Very High (Base 0)
100630	Semi-milled or wholly milled rice, etc	602.3	404.0	9.7	32.6	20.6	20.00	40.00	20.00	-32.9	234.3
850710	Lead-acid accumulators	93.0	216.4	0.5	25.4	1.0	6.80	17.00	10.20	132.7	4557.0
520523	Single cotton yarn, of combed fibres, etc.	7.8	34.9	0.8	21.6	7.0	0.00	10.00	10.00	346.9	2752.6
120242	Groundnuts, shelled, whether or not broken (excluding seed for sowing, roasted or otherwise cooked)	0.0	39.3	0.0	21.5	4.0	0.00	5.00	5.00	High (Base 0)	High (Base 0)
848180	Appliances for pipes, boiler shells, tanks, vats, etc.	267.7	481.6	5.9	17.5	23.9	3.33	8.75	5.42	79.9	198.7

382319	Fatty acids, industrial, monocarboxylic, etc	151.7	543.2	1.2	17.2	0.5	0.00	5.00	5.00	258.1	1284.8
850423	Liquid dielectric transformers, etc	50.1	48.5	5.6	16.1	9.5	0.00	5.00	5.00	-3.4	187.1
210111	Extracts, essences and concentrates, of coffee	53.9	76.6	8.9	13.0	10.9	0.00	5.00	5.00	42.0	45.6
850433	Transformers, etc (excluding liquid dielectric transformers)	8.4	28.1	0.7	12.4	4.7	0.00	5.00	5.00	234.4	1627.8
845290	Furniture, bases and covers for sewing machines and parts thereof; other parts of sewing machines	2.2	76.7	0.0	11.8	0.0	4.67	13.33	8.66	3397.6	78246.7
848190	Parts of valves and similar articles for pipes, boiler shells, tanks, vats or the like, n.e.s.	211.3	249.3	12.3	10.8	5.2	5.25	13.75	8.50	18.0	-12.2
842959	Self-propelled mechanical shovels, excavators and shovel loaders (excluding self-propelled mechanical shovels with a 360° revolving superstructure and front-end shovel loaders)	46.7	32.1	0.0	10.8	2.1	0.00	10.00	10.00	-31.2	51161.9
848110	Pressure-reducing valves	63.3	89.5	0.7	10.3	1.6	3.86	10.00	6.14	41.4	1436.5
250840	Clays excluding fireclay, etc	22.1	19.9	5.7	10.2	14.2	0.00	10.00	10.00	-10.0	78.5

Source: Trade data from ITC Trade Map. Tariff data from WITS 2015.

Note: 1. Simple and weighted tariffs are the same as the tariff concessions are given at 6-digit HS level. Similarly, Preferential and Total imports are the same for each 6-digit HS item.

2. Only preferential tariff items with a value of imports (by Thailand from India) above \$10mn have been taken.

Thus, India Malaysia Preferential Trade has export benefits for both countries in specific products like refined Palm Oil exports for Malaysia and refined Petroleum Oil and semi milled or wholly milled rice for India.

4.3.6 India-Thailand Preferential Trade

India and Thailand signed a framework agreement on 9.10.2003 for establishing an India Thailand FTA. There is an Early Harvest Scheme (EHS) under this Framework Agreement comprising 83 items of mutual interest for which both sides had agreed to make tariff concessions in a phased manner with a 100% reduction by 1/9/2006.

4.3.6.1 India's Imports from Thailand

Preferential imports form nearly 80% of the total imports of India from Thailand. Items above the cut-off of \$50 million form more than 93.5% of total imports of India from Thailand and 92% of preferential imports (Table 4.17).

There are many zero, near-zero and low duty imports in this list with high preference margin like Vehicles other than Railways or Tramways, etc. Rubber & Articles, Natural or Cultured Pearls, Iron & Steel and Articles of Iron & Steel, Residues and wastes from Food; Paper & Paperboard; Tanning or dyeing extracts, Raw hides and skins, Glass & Glassware and Textiles impregnated, coated, covered or laminated. In the case of rubber and articles, while average weighted Preferential duty is 3.1%, weighted average Effective duty is 9.2% as there are many items in this category that are not covered under Preferential tariffs.

Most of the major agricultural items have zero or near-zero duties except edible fruits and nuts with 3.1% duty and animals or vegetable fats, etc. which has Preferential duty of 6.4% but very small Preferential imports. Interestingly India has zero average weighted Preferential tariffs for some 2-digit agricultural categories, like Residues and waste from food industries, but they form a relatively small portion of imports in the respective categories and Effective tariffs are high implying that the remaining items have high MFN tariffs.

**Table 4.17 - India's Preferential and Effective Tariffs for Thailand in 2018
(with Import Value above \$50mn)**

Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
	Total	Preferential	Thailand		World
			Effective	Preferential	MFN
Nuclear Reactors, Boilers, Machinery, etc	1720.2	1264.4	1.3	0.9	6.1
Plastics and Articles thereof	1201.8	1196.7	2.1	2.1	8.3
Electrical Machinery and Equipment and Parts, etc	1146.1	891.7	0.7	0.7	4
Organic Chemicals	893.2	551.5	3.1	1.8	6.1
Vehicles other than Railway or Tramway Rolling-stock, etc	568.2	439.2	7.7	3.3	16.1
Rubber and Articles thereof	458.6	301.7	9.2	3.1	12.7
Natural or Cultured Pearls, etc	436.1	436.1	0.0	0.0	10.1
Animals or Vegetable Fats and Oils etc	377.4	0.05	7.7	6.4	11

Copper and Articles thereof	356.4	336.1	0.3	0.0	5.4
Iron and Steel	240.1	240.1	0.0	0.0	8.2
Articles of Iron or Steel	179.2	177.8	1.2	1.2	10
Miscellaneous Chemical Products	166.0	165.9	2.5	2.5	8.2
Aluminium and articles thereof	150.9	150.9	0.0	0.0	6.1
Mineral Fuels, Mineral Oils and Products; etc	121.7	60.9	0.8	0.0	0.8
Optical, photographic, cinematographic, etc	111.4	90.6	1.0	0.0	6.4
Residues and Waste from the Food Industries; etc	83.0	23.4	21.5	0.0	25.4
Paper and Paperboard, etc	81.7	81.2	0.1	0.1	10
Ores, Slag and Ash	81.3	81.3	0.0	0.0	2.5
Tanning or Dyeing Extracts; etc	79.6	79.4	0.7	0.6	9
Inorganic Chemicals; etc	66.2	65.5	0.8	0.8	6.9
Impregnated, Coated, Covered or Laminated Textile Fabrics; etc	65.1	65.1	0.1	0.1	10
Raw Hides and Skins (Other than Furskins), etc	64.1	63.3	0.0	0.0	9.4
Wood and Articles of Wood; etc	58.3	58.3	0.0	0.0	7.4
Glass and Glassware	51.8	49.8	1.9	1.5	10
Salt; Sulphur; Earths and Stone; etc	51.7	47.9	0.9	0.6	6

Source: Computed from WITS database

4.3.6.2 Imports of Thailand from India

In the case of imports of Thailand from India also, the latest tariff data available in WITS is for 2015. The latest trade data from ITC Trademap is for 2019. So, an exercise similar to the one for imports of Malaysia from India has been done here. If Thailand's top 220 imports from India at 6-digit HS level (with a share in total imports of 62.0%) are taken, 100 items have preferential tariffs (with a share in total imports of 27.9 %) as per 2015 data.

Of this, 65 items have 0 tariffs. From the top 100 items, items with an import value of above \$10million in 2018 having preferential tariffs have been taken (Table 4.18). Since the India-Thailand FTA(EHS) was implemented in 2004 and the tariff concessions have taken effect, the 2015 tariff data is also fairly representative. Preference Margin and import growth of Thailand from India in 2019 over 2011 is very high for medicaments; fruits of the genus capsicum; fungicides; light and medium petroleum oils; articles of jewellery; automatic circuit breakers, etc.; containers of iron or steel; herbicides, etc.; fresh grapes; articles of vulcanised rubber; and salts, etc.

Table 4.18: Thailand's Preferential Tariffs for India with Imports value above 10mn at 6digit HS Level

6HS code	Items	Imports from world (US \$ million)	Imports from India (US\$ Million)			Preferential Imports from India (US\$ Mil-lion) 2015	Average Tariffs		Preference Margin for India	Import Growth 2019/2011	
			2019	2011	2018		2019	PRF		MFN	World
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes.	1332.3	84.8	114.9	105.9	102.4	4.76	7.93	3.17	24.3	24.9

090421	Fruits of the genus Capsicum or of the genus Pimenta, dried, neither crushed nor ground	177.0	0.0	108.8	141.2	39.7	10	27	17	Very High (Base Value = 0)	Very High (Base Value = 0)
870840	Gear boxes and parts thereof, for tractors, motor vehicles, etc.	2410.7	71.2	68.5	54.8	87.6	2.73	10	7.27	35.3	-23.1
230649	Oilcake and other solid residues, etc.	111.4	26.3	45.5	52.3	31.1	5	7	2	31.6	98.5
732690	Articles of iron or steel, n.e.s.	3054.1	14.7	42.7	35.4	35.9	0	10	10	34.0	141.5
380892	Fungicides	140.6	4.8	40.0	42.4	16.7	0	13.33	13.33	106.6	780.4
271012	Light oils and preparations, of petroleum or bituminous minerals, etc.	3753.0	0.0	39.5	14.5	0.0	1.75	10	8.25	Very High (Base Value = 0)	Very High (Base Value = 0)
271019	Medium oils and preparations, of petroleum or bituminous minerals, etc.	2453.4	12.5	31.5	81.7	12.2	0	8.18	8.18	85.8	551.2
151530	Castor oil and fractions thereof.	32.6	37.9	30.8	32.3	30.2	10	0	-10	-14.6	-14.9
711319	Articles of jewellery and parts thereof.	851.6	12.2	29.4	31.7	14.5	0	10	10	31.1	160.3
520812	Plain woven fabrics of cotton, etc.	36.7	5.8	24.0	20.1	4.5	0	5	5	-61.8	244.9
380891	Insecticides	171.3	25.0	20.0	20.6	13.2	2	5	3	11.3	-17.4
853620	Automatic circuit breakers, etc.	100.9	1.5	18.9	11.0	6.3	0	10	10	1.6	646.5
294110	Penicillins and their derivatives, etc.	58.6	19.0	18.4	18.0	21.8	0	5	5	28.5	-5.1
400219	Styrene-butadiene rubber "SBR"; etc.	252.4	0.0	15.2	14.2	0.9	0	5	5	-36.5	32268.2
401120	New pneumatic tyres, of rubber, etc.	103.5	3.9	15.0	14.6	9.2	6	10	4	23.0	271.7
300390	Medicaments	42.1	6.0	14.5	24.4	10.2	6	10	4	49.2	307.2
520512	Single cotton yarn, of uncombed fibres, etc.	22.8	1.6	14.4	10.6	1.2	0	5	5	86.5	564.8
850239	Generating sets, etc.	349.6	1.4	13.2	15.0	8.0	1.5	7.5	6	127.8	999.0
711311	Articles of jewellery and parts thereof, of silver, etc.	152.6	3.2	12.9	12.4	3.4	8.64	10	1.36	109.3	281.3
731100	Containers of iron or steel, etc.	114.2	6.5	12.8	12.0	9.2	2	10	8	-39.2	84.9
540769	Woven fabrics of yarn, etc.	59.2	0.1	12.8	15.5	0.3	0	5	5	278.7	11015.1
30771	Live, fresh or chilled, even in shell, clams, cockles, etc.	27.6	0.0	12.4	7.2	0.0	0		0	High (Base Value = 0)	High (Base Value = 0)
722830	Bars and rods of alloy steel other than stainless, etc.	394.1	11.9	12.1	10.2	7.5	0	5	5	20.6	-14.4
380893	Herbicides, anti-sprouting products, etc.	245.5	6.3	11.9	12.3	8.2	3.75	15	11.25	-28.6	95.9

870870	Road wheels and parts and accessories thereof, etc.	240.4	5.4	11.6	12.5	3.9	25.91	30	4.09	94.5	134.1
180690	Chocolate and other preparations, etc.	55.4	0.0	10.9	6.7	0.1	6	10	4	173.0	High (Base Value = 0)
520523	Single cotton yarn, of combed fibres, etc.	17.9	1.2	10.9	7.2	2.7	0	5	5	137.9	503.2
851220	Electrical lighting or visual signalling equipment, etc	311.5	7.3	10.9	7.6	7.7	0	10	10	135.6	3.9
382319	Fatty acids, industrial, monocarboxylic; acid oils, etc	27.1	1.2	10.7	8.2	2.6	0	5	5	42.8	606.9
80610	Fresh grapes	146.0	3.0	10.6	9.2	5.6	0	31.48	31.48	104.9	211.6
540233	Textured filament yarn of polyester	131.3	3.5	10.5	7.6	14.8	0	5	5	-4.7	113.8
401699	Articles of vulcanised rubber	470.3	2.5	10.5	9.5	7.1	0	11.05	11.05	19.1	287.2
250100	Salts, incl. table salt and denatured salt, etc.	14.1	0.0	10.3	6.2	3.5	0	10	10	408.1	69288.9
400220	Butadiene rubber "BR", etc.	250.1	0.0	10.0	12.6	0.1	0	5	5	57.6	High (Base Value = 0)

Source: Trade data from ITC Trade Map. Tariff data from WITS 2015.

Note: 1. Simple and weighted tariffs are the same as the tariff concessions are given at 6 digit HS level. Similarly Preferential and Total imports are the same for each 6 digit HS item.

2. Only preferential tariff items with the value of imports (by Thailand from India) above \$10mn have been taken.

Thus, in India-Thailand FTA also there seem to be benefits in specific products for both the countries.

4.3.7 India-SAARC Preferential Trade

SAFTA came into effect in 2006 with a reduction in tariff rates to 20% in the first phase by 2007 and zero tariffs in the second phase till 2012 for India, Pakistan and Sri Lanka. Extra three years were given to other members to reduce tariffs to zero. However as pointed out in some studies, there were restrictions on products, multiple exemptions and constrained rules of origin. Added to this was the political tensions between India and Pakistan which also extended to the trade field. Thus, there was a lot of gap between what was in paper and what actually happened. Added to this some countries had separate FTA with India or were part of some other FTAs of India.

4.3.7.1 India's Imports from SAARC

Around 89% of India's total imports from SAARC countries are preferential imports. Imports above \$50 million at the 2-digit level cover more than 81.5% of imports by India from SAARC and 82.2% of preferential imports (Table 4.19).

India has extended zero or near zero preferential tariffs for most of the top items which also have high preference margins. These items include ships, boats, etc.; many textile items; Iron & Steel; Salt,

Sulphur, etc.; electrical machinery, etc.; nuclear reactors, boilers, etc.; residues from food industry, etc.; plastics; beverages, etc. (with very high preference margins); copper & articles; inorganic chemicals; rubber & articles; and animal or vegetable fats. Mineral fuels also have zero duties but very small preference margins. **Thus, on India's Import side, a variety of items have zero or near zero preferential tariffs with high preference margins.**

Among the top items, coffee, tea, mate and spices have a preferential tariff of 3.4%, but the preferential margin is very high as the average weighted MFN Tariff is very high at 55.1%. Rubber Articles have a weighted average preferential tariff of 1.3%, but the preference margin is high as MFN Tariff is 12.7%. In the cut-off range of \$10 million to \$50 million also there are many items with high preference margins like oilseeds and oleaginous fruits; vehicles other than railways, tramways, etc.; footwear, etc.; fish and crustaceans; essential oils and resinoids; preparations of cereals; products of the milling industry; edible vegetables, etc.; and sugar & sugar confectionery. **Thus, there are many agricultural items in the high preference margin list. These are sensitive items and for many, even tariffs may have to be re-negotiated as they have affected the livelihood of farmers.**

Table 4.19 : India's Preferential and Effective Tariffs for SAARC in 2018
(with Import Value above US\$50mn)

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	SAARC		World
				Effective	Preferential	MFN
89	Ships, Boats, etc	535.7	523.7	0.0	0.0	7.7
8	Edible Fruit and Nuts; etc.	502.7	502.6	1.4	1.4	36.0
62	Articles of Apparel not Knitted or Crocheted, etc	377.1	373.0	0.1	0.0	10.0
72	Iron and Steel	283.9	283.9	0.0	0.0	8.2
9	Coffee, Tea, Mate and Spices	222.7	222.7	2.1	3.4	55.1
27	Mineral Fuels, Mineral Oils, etc Products; etc	199.9	32.2	0.0	0.0	0.8
25	Salt; Sulphur; Earths and Stone; etc	183.6	39.5	1.2	0.7	6.0
53	Other Vegetable Textile Fibres; etc	176.7	176.7	0.0	0.0	7.7
23	Residues, Waste from Food Industry Industries; etc	147.1	147.1	0.0	0.0	25.4
13	Lac; Gums, Resins, etc	131.8	131.8	0.2	0.2	29.8
39	Plastics and Articles thereof	127.0	118.0	1.4	0.7	8.3
61	Articles of Apparel, Knitted Crocheted, etc	125.0	123.1	0.2	0.0	10.0
63	Other Made Up Textile Articles; etc	97.1	78.5	1.2	0.2	8.6
22	Beverages, Spirits and Vinegar	91.2	90.9	0.5	0.1	86.1
74	Copper and Articles thereof	82.7	82.7	0.0	0.0	5.4
28	Inorganic Chemicals; etc	78.3	78.3	1.5	1.5	6.9
84	Nuclear Reactors, Boilers, etc etc Machinery, etc	71.1	68.1	0.3	0.1	6.1
55	Man – made Staple Fibres	68.8	68.4	0.9	0.9	10.0

85	Electrical Machinery & Equipment and Parts, etc	65.1	64.6	0.0	0.0	4.0
40	Rubber and Articles thereof	54.6	45.8	2.7	1.3	12.7
60	Knitted or Crocheted Fabrics	52.4	52.4	5.4	5.4	10.0
15	Animals or Vegetable Fats and Oils etc	50.4	50.4	1.9	1.9	11.0

Source: Computed from WITS database

4.3.7.2 Imports of SAARC Countries from India

Preferential Tariff items form only 23% of total imports of SAARC from India. Import of items above \$50 million at 2-digit level cut-off form more than 94% of total imports of SAARC from India and 91% of preferential imports of SAARC from India (Table 4.20).

Several items cutting across sectors have preferential tariffs. Even though there are preferential tariffs for India for many items, they are high with none of the top 2-digit codes in the list having zero average weighted preferential tariffs. Even the preference margin is less. Besides under many codes, only a few items are given preferential tariffs resulting in weighted average Effective Tariffs being higher than weighted average preferential tariffs in many items.

**Table 4.20 -SAARC's Preferential and Effective Tariffs for India in 2018
(with Import Value above \$50mn)**

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	Effective	Preferential	MFN
27	Mineral Fuels, Mineral Oils and Products; etc	2456.1	302.3	10.5	13.2	4.2
72	Iron and Steel	1557.7	137.9	5.3	3.7	8.4
87	Vehicles other than Railway or Tramway Rolling-stock, etc	1235.4	90.8	21.1	13.1	35.5
84	Nuclear Reactors, Boilers, Machinery, etc	993.3	163.4	4.7	5.4	8.1
52	Cotton	764.3	169.8	2.5	5	3.2
10	Cereals	665.7	387.8	20.6	9	18.8
25	Salt; Sulphur; Earths and Stone; etc	526.2	15.6	11.1	4.2	7.1
29	Organic Chemicals	469.7	84.3	3.7	4.8	4.6
30	Pharmaceutical Products	469.7	233.5	5.1	9.7	7.3
39	Plastics and Articles thereof	454.6	291.0	7.8	5.1	10.5
85	Electrical Machinery and Equipment and Parts, etc	317.1	119.1	7.3	5.8	9.9
7	Vegetable seeds; Edible Vegetables, etc	228.1	65.6	11.9	8.5	7.7
73	Articles of Iron or Steel	222.8	132.5	8.6	4.6	16.1
48	Paper and Paperboard, etc	220.1	113.8	7.7	4.5	13.9
40	Rubber and Articles thereof	200.2	15.8	12.2	5.9	9.5
12	Oil Seeds and Oleaginous Fruits; etc Miscellaneous Grains, etc	175.3	31.0	4.5	7.7	3.6
32	Tanning or Dyeing Extracts; etc	173.8	23.9	12.8	5.5	10.2

38	Miscellaneous Chemical Products	165.6	88.0	3.6	3.7	7.7
9	Coffee, Tea, Mate and Spices	158.9	22.0	13.8	6	9.9
55	Man – made Staple Fibres	153.7	22.7	3.7	5	4.3
33	Essential Oils and Resinoids; etc	151.3	79.5	8.8	4.3	13.7
83	Miscellaneous Articles of Base Metal	149.4	13.5	6.6	5.8	9.9
23	Residues and Waste from the Food Industries; etc	142.3	111.0	4.4	4.3	12.1
60	Knitted or Crocheted Fabrics	138.9	0.7	0.7	5	11
62	Articles of Apparel & Clothing not Knitted , etc	131.8	13.5	3.9	8	5.7
93	Arms and Ammunition; etc	121.2	0.0	0	4.5	2.6
28	Inorganic Chemicals; etc	104.4	24.2	2.4	6.2	3.9
24	Tobacco and Manufactures; etc	101.2	73.9	9.7	2.5	33.2
90	Optical, photographic, cinematographic, etc	88.3	8.1	3.3	5.4	4.7
34	Soap, Organic Surface- Active Agents, etc	85.7	10.9	12.6	2.1	13
53	Other Vegetable Textile Fibres; etc	85.2	0.8	2.5	5.1	2.6
76	Aluminium and articles thereof	77.8	35.7	7.4	7	11.3
19	Preparations of Cereals, Flour, Starch or Milk; etc	71.5	24.7	14.2	6.6	16.8
69	Ceramic Products	70.0	9.4	24.9	7.5	20.2
8	Edible Fruit and Nuts; etc.	67.8	47.1	12.3	11.7	17.4
17	Sugars and Sugar Confectionery	67.0	7.8	15	5.5	7.2
70	Glass and Glassware	63.2	50.0	9.1	5.3	16.1
54	Man-made Filaments	61.8	10.4	7.5	4.7	8.4
31	Fertilisers	60.8		0.3		2.6
79	Zinc and Articles thereof	58.9	0.2	4.6	6.3	3.6
58	Special Woven Fabrics; etc	58.7	12.7	6.2	4.7	6.6

Source: Computed from WITS database

The above analysis shows that while India has zero or low preferential tariffs with high preference margins for imports from SAARC, other SAARC countries have applied relatively high preferential tariffs on imports from India with a low preference margin. Thus, India's Tariff related benefits due to SAFTA are relatively less compared to its SAARC trading partners and this is also a case of 'Unequal Exchange' in terms of tariffs.

4.3.8 India-APTA Preferential Trade

APTA or the Bangkok Agreement, a preferential trade agreement, came into effect in 1976. It is the oldest preferential trade agreement between countries in the Asia-Pacific region. Under APTA, India has extended tariff concessions on 3142 items to 5 countries including China, Bangladesh, Republic of Korea, Sri Lanka, and Laos effective from July 2018. Apart from exchanging tariff concessions on 3142 tariff lines with all member countries, India has also extended special concessions on 48 tariff lines for LDCs (Bangladesh and Laos). With the implementation of the fourth round of concessions,

the coverage of preferences of total tariff lines for each member would come to 10,677 tariff lines and deepen the average preference margin to 31.52%. LDCs are entitled to greater concessions on 1249 items, with an average preference margin of 81% under APTAs S&D provisions (PIB, MOC&I, 2018).

4.3.8.1 India's Imports from APTA

The share of preferential imports of India from APTA is 26.5% of the total imports from APTA. Import of items above \$50 million cut-off point at 2-digit level form 99.4% of total imports of India from APTA and 99.3% of preferential imports of India from APTA (Table 4.21).

Though India has extended preferential tariffs in most of the items, the preferential tariffs are relatively high and thus preference margins are low in many items. Zero or near-zero preferential tariff is extended only to some items like Mineral Fuels with low preference margins; Fertilizers; Aluminum, Zinc & Articles; Footwear, Articles of Leather, Article of Apparel, Knit and Non-Knit, other Textiles items; Lead, etc.; Pharmaceuticals products; Residues & waste of Food Industry; Edible Fruits & Nuts; and Ores, Slag & Ash. The preference margin is high in zero and near-zero items only in the case of a few items like footwear and articles of leather, apparels, residues from food and edible fruits & nuts.

For important agricultural sector items with total imports above \$50mn, Preferential tariffs by India are zero or near zero. Exceptions are coffee, tea, mate and spices (6.5%), Effective tariffs are however higher even when Preferential tariffs are low or relatively low in almost all the 2-digit categories in the table. **In the case of the non-agricultural sector also zero or near zero preferential tariffs are extended only in few categories and that too not the majority of the items in the category resulting in relatively high effective tariffs.**

Table 4.21 : India's Preferential and Effective Tariffs for APTA in 2018
(with Import Value above US \$50mn)

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	APTA		World
				Effective	Preferential	MFN
85	Electrical Machinery and Equipment	32237.8	2389.1	3.1	2.0	4
84	Nuclear Reactors, Boilers, Machinery, etc	19589.2	4913.9	4.8	3.9	6.1
29	Organic Chemicals	11753.3	3430.0	6.5	4.7	6.1
39	Plastics and Articles thereof	5500.8	1045.4	7.2	1.0	8.3
72	Iron and Steel	4715.9	3022.8	3.6	0.3	8.2
87	Vehicles other than Railway or Tramways, etc	2856.4	705.1	10.8	5.7	16.1
27	Mineral Fuels, Mineral Oils and Products	2511.6	108.5	4.0	0.0	0.8
73	Articles of Iron or Steel	2491.4	486.6	8.6	2.9	10
90	Optical, photographic, cinematographic, etc	2462.5	1125.6	5.1	4.2	6.4
89	Ships, Boats, etc	2128.7	1677.1	4.7	3.9	7.7
38	Miscellaneous Chemical Products	2013.7	891.3	7.0	5.8	8.2
31	Fertilisers	1724.6	14.4	5.0	0.0	5.6

76	Aluminium and articles thereof	1650.8	378.0	6.3	0.6	6.1
28	Inorganic Chemicals; etc	1488.8	487.9	6.4	4.6	6.9
94	Furniture; Bedding, Mattresses, etc	1401.2	1353.9	8.8	8.8	10
48	Paper and Paperboard, etc	1005.9	622.2	5.8	3.2	10
40	Rubber and Articles thereof	856.8	579.1	5.7	3.6	12.7
32	Tanning or Dyeing Extracts; etc	750.6	396.7	7.6	7.1	9
70	Glass and Glassware	743.2	372.9	9.5	9.0	10
68	Articles of Stone, Plaster, Cement, etc	694.7	208.2	9.4	8.0	10
59	Impregnated, Coated, Textile Fabrics; etc	692.2	7.3	9.9	0.4	10
71	Natural or Cultured Pearls, etc	622.2	536.4	9.1	8.8	10.1
95	Toys, Games and Sports Requisites; etc	618.1	358.8	9.3	8.6	11.4
82	Tools, Implements, Cutlery, etc	607.9	540.5	5.9	5.4	10
60	Knitted or Crocheted Fabrics	601.7	374.4	8.4	7.4	10
83	Miscellaneous Articles of Base Metal	596.5	160.6	8.8	5.5	10
54	Man-made Filaments	595.0	20.2	9.7	1.9	10
79	Zinc and Articles thereof	584.8	569.2	0.2	0.0	5.4
64	Footwear, Gaiters and the Like	554.8	16.4	19.0	0.0	19.5
42	Articles of Leather; etc	504.9	21.5	9.6	0.0	10
62	Articles of Apparel & Clothing not Knitted or Crocheted, etc	502.0	370.4	2.6	0.0	10
74	Copper and Articles thereof	454.3	204.8	4.2	1.1	5.4
69	Ceramic Products	434.9	66.2	7.6	4.0	7.9
55	Man – made Staple Fibres	434.5	27.3	9.5	2.1	10
96	Miscellaneous Manufactured Articles	417.2	189.9	9.3	8.5	10
61	Articles of Apparel & Clothing, Knitted	364.0	123.0	6.6	0.0	10
81	Other Base Metals; etc	307.6	77.4	5.6	4.8	6.4
63	Other Made Up Textile Articles; etc	306.5	54.7	7.9	0.2	8.6
53	Other Vegetable Textile Fibres; etc	285.1	144.7	4.9	0.0	7.7
78	Lead and Articles thereof	263.3	261.8	0.0	0.0	5
30	Pharmaceutical Products	217.4	48.2	7.8	0.0	10
33	Essential Oils and Resinoids; etc	210.0	121.6	16.4	13.9	18.5
25	Salt; Sulphur; Earths and Stone; etc	203.8	73.5	4.4	3.3	6
86	Railway or tramway locomotives, etc	197.4	44.7	9.0	5.7	10
23	Residues & Waste from Food Industries, etc	195.4	119.7	11.5	0.0	25.4
34	Soap, Organic Surface- Active Agents, etc	189.8	104.9	6.6	3.5	9.1
52	Cotton	180.2	37.8	8.3	4.0	2.5
56	Wadding, Felt and Nonwovens; etc	178.3	34.8	8.1	0.2	10
35	Albuminoidal Substances; etc	168.7	115.3	9.7	8.2	10
44	Wood and Articles of Wood; etc	168.1	139.0	8.5	8.3	7.4
50	Silk	167.2	0.4	10.1	0.4	10.1

9	Coffee, Tea, Mate and Spices	127.2	113.5	11.1	6.5	55.1
58	Special Woven Fabrics; etc	125.9	17.5	9.2	4.2	10
91	Clocks and Watches, etc	79.9	6.3	9.4	6.6	9.7
7	Vegetable seeds; Edible Vegetables, etc	79.6	0.2	29.9	0.0	37.8
75	Nickel and articles thereof	74.0		0.0		0
88	Aircraft, Spacecraft, etc	67.5	59.1	0.4	0.0	3.3
26	Ores, Slag and Ash	67.5	26.7	1.6	0.2	2.5
47	Pulp of Wood; etc	64.8	1.0	1.9	0.0	2.4
8	Edible Fruit and Nuts; etc.	56.9	49.5	5.4	0.3	36
41	Raw Hides and Skins (Other than Furskins), etc	56.3	38.9	5.3	3.4	9.4

Source: Computed from WITS database.

4.3.8.2 APTA's Imports from India

Preferential Tariff items have a 51.8% share in total imports of APTA from India. Items at above \$50 million at 2-digit level form 97.4% of total imports of APTA from India and 97.7% of preferential imports from India (Table 4.22).

While APTA has extended preferential tariffs to India, zero or near-zero tariff items are less and the preference margin is also less as the gap between preferential and MFN Tariffs of APTA for India is less. The top preferential imports are spread over many sectors including Natural and Coloured Pearls, etc.; Chemicals; Ores and Metals; Mineral Fuel; Nuclear Reactors, Boilers, etc.; Vehicles other than Railways and tramways, etc.; Textile Items and Rubber and Articles. There are many Agricultural Items as well, like Animal or Vegetable Fats, etc. and Cereals with high/very high preferential tariffs. Some important items with not too low preferential tariffs, but having high preference margin are cotton; vehicles other than railways and tramways, etc.; tanning or dyeing extracts, etc.; articles or apparels and clothing, not knit, etc.; and Fish and Crustaceans, etc.

**Table 4.22 : APTA's Preferential and Effective Tariffs for India in 2018
(with Import Value above US \$50mn)**

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	Effective	Preferential	MFN
71	Natural or Cultured Pearls, etc	2683.9	2674.0	0.1	0	1.7
29	Organic Chemicals	2213.5	660.9	3.1	2.4	4.1
74	Copper and Articles thereof	2183.0	2150.2	1.5	1.5	2.5
26	Ores, Slag and Ash	2181.8	0.5	0	0	0
27	Mineral Fuels, Mineral Oils and Products; etc	2050.7	15.1	2.1	0	1.5
52	Cotton	1714.1	1248.5	4.1	3.3	7.1
25	Salt; Sulphur; Earths and Stone; etc	1320.8	1032.8	1.4	1.6	3.3
72	Iron and Steel	1127.9	308.0	1.1	0.1	2.5
84	Nuclear Reactors, Boilers, Machinery, etc	1056.3	620.9	3.6	3.2	4.4

76	Aluminium and articles thereof	893.8	873.8	0.4	0.2	4
85	Electrical Machinery and Equipment	832.5	565.9	3	2.6	2.7
87	Vehicles other than Railway/Tramway, etc	648.1	155.2	5.6	8.4	17.5
39	Plastics and Articles thereof	572.5	365.0	5.3	4.6	6.8
15	Animals or Vegetable Fats and Oils etc	433.1	7.8	10.1	7.4	10.8
79	Zinc and Articles thereof	386.8	144.9	1.9	0	3.1
32	Tanning or Dyeing Extracts; etc	331.8	216.3	4	2.6	7.4
41	Raw Hides and Skins, etc	305.4	170.9	5.6	5.5	6.2
30	Pharmaceutical Products	290.4	74.9	0.4	0.6	4.1
38	Miscellaneous Chemical Products	256.6	158.5	3.6	2.1	5.9
28	Inorganic Chemicals; etc	254.8	73.0	4	1.4	4.8
10	Cereals	242.2	0.8	43.2	302.7	104.5
90	Optical, photographic, cinematographic, etc	230.0	76.2	2.6	1.2	5.5
62	Articles of Apparel & Clothing not Knitted or Crocheted, etc	229.2	102.4	4.7	6.2	14
73	Articles of Iron or Steel	177.6	99.4	3.9	2.1	7.4
23	Residues and Waste from the Food Industries; etc	166.9	120.9	1.8	2.3	4.9
3	Fish and Crustaceans, Molluscs, etc	162.6	115.1	5.8	4.8	11.4
55	Man – made Staple Fibres	150.0	84.2	2.1	3.4	5.7
7	Vegetable seeds; Edible Vegetables, etc	142.6	5.4	15	4.4	31.3
9	Coffee, Tea, Mate and Spices	135.8	61.4	15	6.5	12.2
60	Knitted or Crocheted Fabrics	134.7	2.2	0	0.7	6.9
67	Prepared Feathers, etc	127.6	125.7	13	13	16.4
40	Rubber and Articles thereof	126.0	26.7	10	3	10.8
93	Arms and Ammunition; etc	121.2	0.1	0	0	0.5
48	Paper and Paperboard, etc	120.6	67.9	3.1	2.6	4.5
53	Other Vegetable Textile Fibres; etc	117.6	111.0	3.2	3.4	5.7
64	Footwear, Gaiters and the Like	115.4	90.2	4.8	5	15.3
61	Articles of Apparel & Clothing, Knitted, etc Crocheted, etc	115.2	63.4	4.8	5	13.7
33	Essential Oils and Resinoids; etc	112.3	75.5	15.5	17.4	8
12	Oil Seeds and Oleaginous Fruits; Miscellaneous Grains, etc	101.3	30.4	218.3	3.8	11.6
42	Articles of Leather; etc	78.5	43.5	7.6	5	10
78	Lead and Articles thereof	76.8	75.1	0	0	3.2
54	Man-made Filaments	73.0	46.0	1.3	0.7	7.1
14	Vegetable Plaiting Materials, etc	67.8	35.1	12.5	6.5	9.3
44	Wood and Articles of Wood; etc	64.4	8.3	0.6	0.8	0.9
34	Soap, Organic Surface- Active Agents, etc	62.1	18.1	6.7	2.6	8.9
63	Other Made Up Textile Articles; etc	57.2	14.7	9	0.5	11.6

Source: Computed from WITS database

One thing to be noted is that though the share of the preferential items of APTA in its imports from India is nearly double the share of preferential items imports of India from APTA, in absolute import value terms, APTA's preferential imports from India are half the preferential imports of India from APTA. The preferential tariffs are relatively high and the preference margins are low in both India's imports from APTA and APTA's imports from India. Thus, while there is some sort of a 'Fair' or 'Equal Exchange' in this preferential arrangement in terms of tariffs, tariffs are still relatively high on both sides.

4.3.9 India-ASEAN Preferential Trade

India and the ASEAN signed the Agreement on Trade in Goods under the broader framework of the Comprehensive Economic Cooperation Agreement (CECA) between India and the ASEAN on 13th August 2009. The Agreement became fully operational between all the ASEAN Member States and India in 2010 and 2011.

4.3.9.1 India's Imports from ASEAN

Preferential imports form nearly 70% of the imports of India from ASEAN. The \$50 million cut-off at the 2-digit level forms 99.2% of total imports of India from ASEAN and 99.1% of preferential imports of India from ASEAN (Table 4.23).

The Preferential Tariffs are spread over many sectors. The top imports are mineral fuels, etc., with zero preferential tariffs and low preference margin followed by electrical machinery with near-zero tariff and MFN tariffs of 4%. India has extended zero, near-zero and low preferential tariffs in most of the products except Coffee, Tea, Mate, etc., with 32.3% and Oilseeds, etc., with 15.2% average weighted Preferential Tariffs. However, the MFN tariff is nearly double the Preferential tariffs in both cases resulting in the high preference margins. Preference margins are high in some other items also like Rubber & Articles; Natural or Cultured Pearls, etc.; Vehicles other than railways; Articles of Iron or Steel, Paper & Paperboards, Footwear, Leather and Tanning items, Textiles items and Beverages, Spirits, etc.

**Table 4.23 - India's Preferential and Effective Tariffs for ASEAN in 2018
(with Import Value above \$50mn)**

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	ASEAN		World
				Effective	Preferential	MFN
27	Mineral Fuels, Mineral Oils and Products; etc	14212.2	9545.0	0.0	0.0	0.8
85	Electrical Machinery and Equipment	10159.2	7203.8	0.2	0.3	4
15	Animals or Vegetable Fats and Oils etc	7100.1	4.4	9.6	0.1	11
84	Nuclear Reactors, Boilers, Machinery, etc	6191.5	3322.0	0.7	0.8	6.1
29	Organic Chemicals	4043.8	3306.7	1.9	1.7	6.1
39	Plastics and Articles thereof	3036.3	2998.8	1.9	1.8	8.3
72	Iron and Steel	1984.6	1984.6	0.0	0.0	8.2

74	Copper and Articles thereof	1979.0	1910.3	0.2	0.3	5.4
89	Ships, Boats, etc	1944.3	1764.7	0.0	0.0	7.7
40	Rubber and Articles thereof	1768.7	756.0	12.9	2.7	12.7
38	Miscellaneous Chemical Products	1567.1	1554.4	2.3	2.2	8.2
90	Optical, photographic, cinematographic, etc	1309.0	983.9	0.3	0.0	6.4
71	Natural or Cultured Pearls, etc	1188.5	1188.5	0.0	0.0	10.1
28	Inorganic Chemicals; etc	1185.2	1184.2	0.2	0.2	6.9
87	Vehicles other than Railway or Tramway Rolling-stock, etc	1058.5	876.0	8.0	3.0	16.1
76	Aluminium and articles thereof	945.5	936.9	0.1	0.0	6.1
73	Articles of Iron or Steel	938.2	936.1	0.6	0.6	10
26	Ores, Slag and Ash	932.7	932.7	0.0	0.0	2.5
44	Wood and Articles of Wood; etc	923.0	922.9	0.0	0.0	7.4
48	Paper and Paperboard, etc	410.7	409.3	0.3	0.3	10
9	Coffee, Tea, Mate and Spices	394.4	342.1	32.4	32.3	55.1
32	Tanning or Dyeing Extracts; etc	373.8	373.5	0.2	0.2	9
7	Vegetable seeds; Edible Vegetables, etc	331.0	329.0	0.3	0.0	37.8
23	Residues and Waste from the Food Industries etc	306.7	26.5	23.4	0.0	25.4
80	Tin and Articles Thereof	284.9	284.9	0.0	0.0	5.1
33	Essential Oils and Resinoids; etc	263.1	263.1	3.2	3.2	18.5
54	Man-made Filaments	255.1	220.7	5.3	4.5	10
70	Glass and Glassware	249.4	245.0	1.2	1.1	10
55	Man – made Staple Fibres	243.8	159.7	4.4	1.4	10
94	Furniture; Bedding, Mattresses, etc	239.9	239.9	0.7	0.7	10
8	Edible Fruit and Nuts; etc.	226.1	150.8	20.1	0.2	36
25	Salt; Sulphur; Earths and Stone; etc	225.9	194.2	1.5	0.9	6
34	Soap, Organic Surface- Active Agents, etc	218.8	218.8	2.1	2.1	9.1
47	Pulp of Wood; etc	215.1	190.4	0.0	0.0	2.4
64	Footwear, Gaiters and the Like, etc	205.4	201.8	4.9	4.7	19.5
78	Lead and Articles thereof	156.5	156.5	0.0	0.0	5
30	Pharmaceutical Products	147.6	147.3	1.9	1.9	10
59	Impregnated, Coated Textile Fabrics; etc	139.5	139.5	0.9	0.9	10
18	Cocoa and Cocoa Preparations	125.8	123.4	0.7	0.1	30
96	Miscellaneous Manufactured Articles	116.3	116.3	0.0	0.0	10
41	Raw Hides and Skins (Other than Furskins), etc	116.1	111.8	0.0	0.0	9.4
88	Aircraft, Spacecraft, etc	97.4	97.4	0.0	0.0	3.3
31	Fertilisers	96.0	95.9	1.5	1.5	5.6
22	Beverages, Spirits and Vinegar	89.9	7.1	137.4	0.0	86.1
50	Silk	86.7	86.7	0.0	0.0	10.1

12	Oil Seeds and Oleaginous Fruits; Miscellaneous Grains, etc	81.5	75.5	16.3	15.2	30.5
83	Miscellaneous Articles of Base Metal	78.7	67.1	1.5	0.0	10
79	Zinc and Articles thereof	78.6	78.6	0.0	0.0	5.4
82	Tools, Implements, Cutlery, etc	71.0	71.0	0.0	0.0	10
56	Wadding, Felt and Nonwovens; etc	69.3	69.3	0.0	0.0	10
68	Articles of Stone, Plaster, Cement, etc	69.0	69.0	0.3	0.3	10
35	Albuminoidal Substances; etc	64.8	64.8	3.6	3.6	13.1
19	Preparations of Cereals, Flour, Starch, etc	54.6	54.5	0.0	0.0	36.2
75	Nickel and articles thereof	54.2		0.0		0
61	Articles of Apparel & Clothing, Knitted, etc Crocheted, etc	50.9	29.8	5.1	1.6	10

Source: Computed from WITS database.

4.3.9.2 ASEAN's Imports from India

Preferential imports cover 48% of imports of the ASEAN from India. The items above \$50 mn cut-off form 96.4% of total imports of the ASEAN from India and 95.9% of preferential imports (Table 4.24). While ASEAN has extended preferential tariffs to India, the two-digit codes with zero or near-zero average weighted tariffs are very less.

The preference margin is less for many codes and the value of preferential imports covered under different codes is also relatively less. The items are spread across sectors. While India has some benefits in cereals with preferential tariffs of 3.8% and MFN tariffs of 9.5%, the value of preferential imports is very low. Man-made filaments with Preferential tariff of 2.7% and MFN tariff of 11.3%, Miscellaneous edible preparations with 6.3% preferential tariff and 18.2% MFN tariff and edible fruits and nuts with 6.3% preferential tariff and 12.4% MFN tariff are some other items where India has some discernible preferential tariff advantages, though their imports are less.

**Table 4.24 : ASEAN's Preferential and Effective Tariffs for India in 2018
(with Import Value above \$50mn)**

Code	Items	Imports (US\$ mn)		Weighted Average Tariffs (%)		
		Total	Preferential	Effective	Preferential	MFN
27	Mineral Fuels, Mineral Oils Products; etc	4433.3	26.3	0.0	3.9	0.5
2	Meat and Edible Meat Offal	2200.9	1903.5	10.3	11.2	12.3
84	Nuclear Reactors, Boilers, Machinery, etc	1381.9	810.1	1.8	2.2	2.1
3	Fish and Crustaceans, etc	1201.9	1168.3	10.1	10.3	8.2
87	Vehicles other than Railway Tramway Rolling-stock, etc	1105.8	829.9	14.6	12.8	18.0
29	Organic Chemicals	1100.8	307.9	0.8	1.7	1.1
72	Iron and Steel	924.1	342.9	0.5	0.7	3.4
71	Natural or Cultured Pearls, etc	720.8	16.6	0.0	0.2	0.4

52	Cotton	687.2	569.9	1.1	1.2	3.2
85	Electrical Machinery and Equipment and Parts, etc	636.8	351.1	2.4	3.9	1.1
30	Pharmaceutical Products	491.1	390.8	1.0	1.2	1.7
12	Oil Seeds & Oleaginous Fruits etc Miscellaneous Grains, etc	439.8	156.6	5.6	4.1	2.0
39	Plastics and Articles thereof	435.2	282.6	3.7	2.6	5.1
9	Coffee, Tea, Mate and Spices	410.3	380.6	9.5	10.0	11.6
32	Tanning or Dyeing Extracts; etc	304.8	170.6	1.5	2.0	2.9
10	Cereals	300.6	23.6	11.0	3.8	9.5
23	Residues, Waste from Food Industries; etc	257.2	238.8	0.9	0.5	2.2
38	Miscellaneous Chemicals, Products	256.5	194.6	2.1	2.2	2.0
74	Copper and Articles thereof	229.8	18.8	0.3	3.5	2.6
90	Optical, photographic, cinematographic, etc	218.9	40.3	0.8	0.8	0.9
40	Rubber and Articles thereof	198.5	126.4	8.6	6.7	6.3
76	Aluminium and articles thereof	186.3	35.9	0.4	2.0	4.7
28	Inorganic Chemicals; etc	182.3	103.6	1.3	1.7	2.6
73	Articles of Iron or Steel	176.2	123.1	3.5	4.4	5.9
68	Articles of Stone, Plaster, Cement, etc	140.4	130.1	4.6	4.9	6.0
41	Raw Hides and Skins, etc	133.2	104.4	2.7	3.4	4.7
33	Essential Oils and Resinoids; etc	128.6	51.6	3.0	5.0	5.3
62	Articles of Apparel & Clothing not Knitted or Crocheted, etc	110.1	27.4	4.3	6.2	8.0
88	Aircraft, Spacecraft, etc	100.1	8.3	0.1	0.7	0.4
55	Man – made Staple Fibres	97.1	62.3	6.4	6.6	6.9
54	Man-made Filaments	95.6	78.8	3.4	2.7	11.3
48	Paper and Paperboard, etc	94.5	73.1	4.2	5.4	6.1
25	Salt; Sulphur; Earths and Stone; etc	89.2	49.1	5.9	10.0	2.2
79	Zinc and Articles thereof	86.0	22.5	0.0	0.0	0.6
24	Tobacco and Manufactures; etc	85.8	32.4	16.9	37.8	45.6
7	Vegetable seeds; Edible, etc Vegetables, etc	81.2	16.8	9.9	3.2	5.3
21	Miscellaneous Edible, etc Preparations	68.6	50.7	4.8	6.3	18.2
26	Ores, Slag and Ash	66.8	26.8	0.1	0.2	1.8
78	Lead and Articles thereof	66.8	66.3	0.4	0.4	2.2
5	Products of Animal Origin, etc	61.3	60.7	1.0	1.0	3.4
8	Edible Fruit and Nuts; etc.	54.9	31.6	3.8	6.3	12.4

Source: Computed from WITS database.

Thus, in the case of ASEAN, while the share of preferential imports by ASEAN from India is less than India's preferential imports from ASEAN, unlike other FTAs/RTAs India's share of preferential imports in total imports from ASEAN is also not that high. The preferential tariffs are low and the preference margin is high for India's imports from ASEAN, while preferential tariffs are relatively higher and preference margins are low for ASEAN's imports from India.

Thus, India-ASEAN preferential trade though not one of Equal Exchange has some elements of fairness in terms of tariffs as average MFN tariffs of ASEAN (both simple and weighted) are already relatively low for India.

4.4 Total Duty Under FTAs

In Chapter 2, we have seen how total tariffs are much higher than the BCD. In the case of India's FTAs also, it is not just Preferential tariffs that have to be paid by the importer, instead, the total tariffs have to be paid. Total tariffs or total duties for FTAs also include IGST and SWS. However, instead of BCD, Preferential duties are taken along with IGST and SWS to compute total duties. Antidumping duties if present will also be applicable.

While calculations of total duty for India's total imports are generally not done, calculations of total duties for FTAs/RTAs are conspicuous by their absence. So as examples, we have calculated total duties for India's imports from Singapore under India-Singapore CECA and India-ASEAN CECA for ASEAN-A and ASEAN-B countries (Table 4.25). Here only simple average total duty has been taken as matching import value figures are not readily available for weighting. The results need to be taken only as indicative.

Table 4.25: India's BCD, Preferential Duty and Total Duty in India-Singapore CECA and India-ASEAN CECA

FTA/PTA	BCD Simple Average	Preferential -Simple Average	Total Duties-Simple Average
Singapore	10.0	2.1	18.6
ASEAN-A	11.4	1.0	15.8
ASEAN-B	11.4	1.5	16.3

Source: Computed from the Academy of Business Studies: CUSTADA database

Methodology: CUSTADA database of the Academy of Business Studies at the 8-digit HS code level for India's imports from Singapore and India's imports from ASEAN are taken separately. Preferential Duties for Singapore are at 4 stages given under 4 notifications. These have been clubbed together to get a consolidated data of Preferential duties and total duties. Total duty is computed by including Preferential Duty, IGST and SWS wherever applicable. Cases of specific duties, IGST under 0/5 dispensation and IGST under the same code for imports above and below a certain value were excluded. The simple average of tariff lines for each 2digit code was first computed and then the simple average for these 2digit code averages was taken to get simple average preferential duties, total duties and BCD. For ASEAN, the indicators have been computed separately for Appendix A countries including all ASEAN countries except the Philippines and Appendix B countries including only the Philippines.

The BCD results are almost similar to the ones obtained in Table 4.5 using WITS data. The simple average BCD for imports from Singapore is 10.0% (MFN Tariff simple is 11.0% as per WITS data). While the simple average Preferential duties are 2.1% (0.7% as per WITS), simple average total duties are high at 18.6% which is nearly double the BCD. This is due to IGST and SWS. Similarly, for ASEAN-A and ASEAN-B countries, simple average BCD is 11.4% for both ASEAN A and ASEAN B and simple average preferential duties are 1.0%/1.5%, but simple average total duties are higher at 15.8%/16.3%. As mentioned earlier, the total duty numbers should be taken only as indicative.

Sector-wise total duties for Singapore and ASEAN have also been computed based on available data and given in Annexure 1 which shows the following.

In the case of Singapore, except for a few 2-digit code items, Total duty is high in most others. Noticeably high total duties are there for miscellaneous edible preparations as simple average

preferential duties are also high. Besides IGST is also high. Similarly, albuminoidal substances, etc. and articles of leather, etc., footwear etc., have relatively high total duties in the case of India's imports from Singapore due to high IGST and also high Preferential duties in the case of Footwear.

In the case of ASEAN also, total duties, sector-wise are high in many sectors and noticeably high in the case of coffee, tea, mate and spices with preferential tariffs itself being higher despite IGST being low; articles of leather and footwear, etc. also due to high IGST.

Thus, relatively higher IGST along with SWS of 10% act as additional protective measures in some sectors. As mentioned in Chapter 2, while for IGST, ITC can be claimed, SWS has to be paid.

While GST/VAT is applied on imports besides customs duties in other FTA partner countries also, the difference is in the relatively lower rates in FTA Countries like Singapore (7%), Japan (8%), Thailand (7%), etc., while for some other countries like Indonesia (10%), Korea (10%), Philippines (12%) it is near the average IGST rate of India of 15.8%.

4.5 Tariffs by Stages of Processing

In this section, we will examine India's tariffs on imports from FTAs by stages of processing and FTA's tariffs on imports from India by stages of processing.

4.5.1 India's Tariffs on Imports from FTAs by Stages of Processing

India's integration into the Global Value Chains (GVCs) in the context of tariffs in FTAs can be gauged by seeing the tariffs over the years by type of processing. This is examined for India's imports from some important FTAs (Table 4.26a and Table 4.26b).

Table 4.26a: India's Tariffs on Imports from FTAs by Stages of Processing - (Simple Average)

India's Imports From	1999			2005			2018				
	MFN	PRF	Im-ports Total (\$ mn)	MFN	PRF	Im-ports Total (\$ mn)	AHS	MFN	PRF	Imports Total (\$ mn)	Imports PRF (\$ mn)
Sri Lanka											
1 Raw materials	25.3	19.9	18.8	22.4	4.8	33.8	2.4	18.7	0.6	94.6	56.3
2 Intermediate goods	34.7	34.4	5.7	18.3	4.9	382.4	2.0	10.6	1.2	191.2	189.5
3 Consumer goods	38.5	36.1	18.6	21.0	4.0	117.9	2.0	16.4	0.6	493.0	464.4
4 Capital goods	25.6	25.6	1.1	13.4	0.0	33.5	0.0	7.4	0.0	611.9	599.5
Japan											
1 Raw materials	27.2		27.7	19.5		35.8	5.2	9.8	5.3	88.9	86.2
2 Intermediate goods	34.7		579.0	16.5		1041.3	2.5	9.1	1.9	6282.4	5488.8
3 Consumer goods	35.6		310.3	18.6		469.1	6.0	14.5	3.0	1413.8	1208.2
4 Capital goods	27.6		1298.5	14.1		2028.9	3.9	8.0	2.9	6965.6	5474.6

Korea, Rep.											
1 Raw materials	26.6		11.0	20.8		22.6	2.9	9.2	4.7	139.0	44.1
2 Intermediate goods	35.4		596.2	16.7		1187.5	1.9	9.0	0.7	9528.6	7714.0
3 Consumer goods	36.4		276.6	18.2		324.9	4.9	13.8	1.3	2404.6	1209.8
4 Capital goods	27.2		346.5	13.4		2842.7	2.0	7.5	0.9	7156.6	5371.4
Malaysia											
1 Raw materials	26.0		580.3	18.3		352.2	3.1	12.0	0.4	3584.5	583.8
2 Intermediate goods	35.0		179.9	17.0		816.9	1.5	9.3	0.9	4952.5	3267.3
3 Consumer goods	36.8		1027.6	18.2		497.7	4.3	14.0	0.9	1789.2	1261.3
4 Capital goods	27.3		241.8	12.9		756.8	0.7	7.1	0.3	2400.6	1647.0
Singapore											
1 Raw materials	23.9		56.5	22.1		89.4	3.6	13.9	0.4	1663.0	1540.5
2 Intermediate goods	34.4		260.5	16.7		837.2	1.3	9.3	0.7	5381.4	4787.2
3 Consumer goods	36.9		610.6	19.5		468.7	5.3	15.5	0.9	2198.7	1256.9
4 Capital goods	27.5		602.9	14.1		1740.2	0.8	7.8	0.3	7296.0	4138.9
Thailand											
1 Raw materials	26.0		14.4	25.0		80.9	6.6	15.9	0.4	513.0	351.8
2 Intermediate goods	35.5		149.6	17.4		411.2	1.7	9.5	0.8	4209.2	3439.7
3 Consumer goods	37.5		69.4	19.1		275.3	4.3	14.5	0.9	1427.4	1276.0
4 Capital goods	27.7		95.1	13.9		420.4	1.3	8.1	0.3	3091.7	2263.4
SAARC											
1 Raw materials	26.0	24.8	119.9	23.3	14.7	161.7	2.7	20.0	0.7	1013.9	843.3
2 Intermediate goods	34.5	33.4	164.4	18.7	11.7	880.7	2.1	11.0	0.8	1049.2	941.2
3 Consumer goods	39.0	38.1	131.1	21.9	12.9	291.6	2.7	16.5	0.7	1405.2	1212.2
4 Capital goods	26.8	26.3	4.5	13.5	5.6	40.7	0.4	7.7	0.7	696.2	680.8
APTA											
1 Raw materials	24.6		296.3	21.2	16.4	739.9	7.8	15.0	1.5	1132.3	401.0
2 Intermediate goods	34.6		1267.1	16.9	15.2	5642.0	5.7	9.5	0.6	37246.0	12886.4
3 Consumer goods	37.5		454.4	20.2	16.6	1614.9	7.6	14.7	0.9	16418.7	5411.1
4 Capital goods	27.4		618.2	14.0	12.3	7124.4	4.2	8.1	0.4	52798.1	9708.7
ASEAN											
1 Raw materials	23.1		985.6	22.1	21.3	1992.4	5.7	17.2	0.6	16891.8	12249.9
2 Intermediate goods	34.6		951.7	17.3	16.9	3615.8	1.6	9.7	0.6	24298.9	17767.3
3 Consumer goods	37.1		2138.9	20.6	19.2	1692.3	4.3	16.2	0.8	8881.8	5533.2
4 Capital goods	27.6		1000.3	14.1	13.3	3280.2	1.0	7.9	0.2	18149.0	11707.1

Source: Computed from WITS database

Table 4.26b: India's Tariffs on Imports from FTAs by Stages of Processing - (Weighted Average)

India's Imports From	1999			2005			2018				
	MFN	PRF	Im-ports Total (\$ mn)	MFN	PRF	Im-ports Total (\$ mn)	AHS	MFN	PRF	Imports Total (\$ mn)	Imports PRF (\$ mn)
Sri Lanka											
1 Raw materials	28.3	17.9	18.8	22.2	1.9	33.8	0.8	6.7	1.3	94.6	56.3
2 Intermediate goods	35.0	34.6	5.7	20.2	0.2	382.4	1.5	13.0	1.4	191.2	189.5
3 Consumer goods	33.4	27.6	18.6	37.5	1.3	117.9	1.9	27.7	1.6	493.0	464.4
4 Capital goods	23.4	23.4	1.1	13.3	0.0	33.5	0.0	9.5	0.0	611.9	599.5
Japan											
1 Raw materials	29.2		27.7	17.6		35.8	1.6	5.6	1.4	88.9	86.2
2 Intermediate goods	33.1		579.0	16.2		1041.3	1.8	7.4	1.5	6282.4	5488.8
3 Consumer goods	31.6		310.3	23.1		469.1	4.3	10.3	2.9	1413.8	1208.2
4 Capital goods	30.8		1298.5	13.2		2028.9	3.7	7.2	3.0	6965.6	5474.6
Korea, Rep.											
1 Raw materials	23.3		11.0	12.1		22.6	3.8	5.3	0.9	139.0	44.1
2 Intermediate goods	30.9		596.2	16.4		1187.5	1.8	8.4	0.4	9528.6	7714.0
3 Consumer goods	31.7		276.6	23.6		324.9	2.7	10.2	0.8	2404.6	1209.8
4 Capital goods	27.7		346.5	7.0		2842.7	1.9	6.6	1.4	7156.6	5371.4
Malaysia											
1 Raw materials	17.3		580.3	8.2		352.2	0.6	1.4	0.0	3584.5	583.8
2 Intermediate goods	33.7		179.9	30.7		816.9	3.4	7.5	1.1	4952.5	3267.3
3 Consumer goods	34.5		1027.6	34.9		497.7	3.5	10.5	0.6	1789.2	1261.3
4 Capital goods	21.9		241.8	3.4		756.8	0.2	5.3	0.2	2400.6	1647.0
Singapore											
1 Raw materials	27.1		56.5	17.9		89.4	1.0	7.4	0.0	1663.0	1540.5
2 Intermediate goods	30.4		260.5	12.8		837.2	1.0	6.7	0.7	5381.4	4787.2
3 Consumer goods	30.9		610.6	12.7		468.7	11.5	17.6	1.0	2198.7	1256.9
4 Capital goods	19.4		602.9	5.2		1740.2	0.4	4.3	0.6	7296.0	4138.9
Thailand											
1 Raw materials	28.2		14.4	21.8		80.9	6.5	10.5	0.1	513.0	351.8
2 Intermediate goods	36.1		149.6	16.7		411.2	2.2	7.6	1.2	4209.2	3439.7
3 Consumer goods	37.2		69.4	15.6		275.3	4.0	13.4	1.5	1427.4	1276.0
4 Capital goods	25.7		95.1	12.0		420.4	2.0	8.0	1.3	3091.7	2263.4

SAARC											
1 Raw materials	36.3	34.5	119.9	30.8	17.0	161.7	1.7	27.9	1.0	1013.9	843.3
2 Intermediate goods	29.8	29.5	164.4	19.8	8.7	880.7	0.7	8.8	0.8	1049.2	941.2
3 Consumer goods	37.4	31.6	131.1	32.8	14.4	291.6	1.3	22.9	0.7	1405.2	1212.2
4 Capital goods	27.5	27.5	4.5	13.5	2.2	40.7	0.1	9.0	0.1	696.2	680.8
APTA											
1 Raw materials	24.2		296.3	18.6	17.2	739.9	6.9	8.8	2.5	1132.3	401.0
2 Intermediate goods	30.9		1267.1	16.0	14.6	5642.0	6.4	8.3	3.1	37246.0	12886.4
3 Consumer goods	33.0		454.4	18.0	15.3	1614.9	8.9	11.3	5.9	16418.7	5411.1
4 Capital goods	26.4		618.2	6.7	6.7	7124.4	3.6	4.4	3.6	52798.1	9708.7
ASEAN											
1 Raw materials	15.1		985.6	14.9	14.9	1992.4	2.0	4.9	0.7	16891.8	12249.9
2 Intermediate goods	30.4		951.7	36.8	36.6	3615.8	2.6	7.8	0.9	24298.9	17767.3
3 Consumer goods	33.4		2138.9	38.0	37.4	1692.3	8.0	14.6	1.8	8881.8	5533.2
4 Capital goods	20.8		1000.3	6.0	5.8	3280.2	0.6	4.9	0.5	18149.0	11707.1

Source: Computed from WITS database

WITS data giving import tariffs for FTAs by Stages of processing for 1999 and 2005 are patchy and in some cases look less reliable. But for 2018, the data for all parameters are available. So, this analysis uses mainly the 2018 data. Earlier years' data is used, only where reliable data is available. India's import tariffs, simple and weighted, by stages of processing for the important FTAs/RTAs for different years show the following.

In the case of Sri Lanka, preferential tariffs (simple) were high in 1999 for all stages of processing but became low in 2005 (i.e., after the ISLFTA was implemented in 2000) and further fell in 2018 to zero or near to 0 to 1% (after implementation of SAFTA in 2006). In 2018, weighted preferential tariffs are also low, though slightly higher than simple average tariffs. Capital goods have zero average preferential tariffs (both simple and weighted). Effective Tariffs weighted is almost equal to weighted preferential tariffs in all stages of processing except raw materials as a major part of imports is preferential in these stages. In the case of raw materials, Effective tariff weighted is lower than preferential tariff weighted indicating that non-preferential raw materials imports have lower tariffs than preferential raw materials imports.

In the case of Japan, simple average preferential tariffs were low for all stages of processing in 2018, except raw materials at 5.3%. But weighted average preferential tariffs were low for raw materials also. This implies that high weighted raw materials have low preferential tariffs. In 2005 (i.e., before India Japan CEPA was implemented in 2011), MFN tariffs (simple) on all stages of processing were high, particularly raw materials which were the highest at 19.5%. In 2018, MFN tariffs have fallen proportionately for the different stages of processing compared to 2005 and preferential tariffs for Japan in 2018 (both simple and weighted), are lower than MFN tariffs. Effective tariffs (Simple and Weighted) are only slightly higher than preferential tariffs (simple and weighted) except for consumer

goods where both simple and weighted tariffs, particularly the former is higher. This implies that consumer goods imports not covered by preferential tariffs have relatively higher MFN tariffs.

In the case of the Republic of Korea, in 2005 (i.e., before India South Korea CEPA was implemented in 2010), MFN tariffs for all stages were high but the highest was for raw materials. In 2018, India's MFN tariffs have fallen compared to 2005 for all stages of processing but are relatively high for consumer goods. In 2018 India's preferential tariffs are low for all stages, except raw materials for which it is relatively high as per simple average, though not for weighted average. Also, India's Effective tariffs (simple and weighted) for imports from Korea are higher than Preferential tariffs in all stages except for raw materials as per simple average.

In the case of Malaysia, in 2005 (i.e., before India Malaysia CECA was implemented in 2011) MFN tariffs in all stages of processing were high. In 2018 MFN tariffs have fallen for all stages of processing, but both simple and weighted average preferential tariffs are very low - less than or around 1% for all stages of processing. Effective Tariffs are higher for all stages of processing as per both simple and weighted average.

In the case of Singapore when the FTA was implemented in 2005, MFN tariffs were high for all stages of processing. In 2018, India's MFN tariffs have fallen for all stages of processing except for consumer goods as per the weighted average. However, preferential tariffs for all stages of processing in 2018 are low and not more than 1% as per both simple and weighted average. But simple average Effective Tariffs are relatively higher for consumer goods (5.3%) and raw materials (3.6%) in 2018. If the weighted average is taken then the Effective Tariff is very high at 11.5% for consumer goods indicating that in the non-preferential tariffed imports, high-value consumer goods imports have higher tariffs.

In the case of Thailand, India's MFN tariffs were high in 2005. But in 2018 it has fallen for all stages of processing both as per simple and weighted average. After the India-Thailand FTA (EHS) was implemented (in 2004), preferential tariffs for all stages of processing has fallen in the following years and in 2018 it was very low and below 1% as per simple average for all stages of processing with lowest average tariffs for raw materials (0.4%). It was low as per the weighted average also. But Effective Tariffs are higher as per both simple and weighted averages for raw materials and consumer goods, implying that non-preferential tariffed raw materials and consumer goods have high tariffs.

In the case of SAARC countries, India's preferential Tariffs for SAARC was there even in 2005 due to SAPTA and various tariff preferences for SAARC countries, but with the implementation of SAFTA (in 2006) preferential tariffs were not more than 1% for all stages of processing as per both simple average and weighted average as can be seen for 2018. Weighted average Effective tariffs, though low, are relatively higher for raw materials and consumer goods as per the simple average, implying that many non-preferential tariffed items in these categories have higher tariffs though their imports by India are relatively less.

In the case of APTA, in 2018, India's simple average tariffs are low and below 1% for all stages of processing except raw materials (1.5%). However, if the weighted average is taken, then tariffs,

though low, are relatively higher for all stages of processing with consumer goods having high average tariffs (5.9%). Simple average Effective tariffs are much higher than preferential tariffs with the highest rate for raw materials (7.8%) followed by consumer goods (7.6%) and intermediate goods (5.7%). The weighted average effective tariffs are similar except for consumer goods for which it is still higher (8.9%). Thus, non-preferential tariffed imports from APTA face higher tariffs. Particularly for raw materials, simple average effective tariffs are high and for consumer goods, weighted average effective tariffs are high. Though APTA was implemented in 1976, preferential tariffs were not low even in 2005. Substantial tariff reductions took place only in 2018 after India extended tariff concessions on 3142 items to APTA members, besides special concessions on 48 tariff lines to LDCs (Bangladesh and Laos PDR) effective from July 1, 2018. This is reflected in the 2018 preferential tariffs.

In the case of ASEAN, after the FTA was implemented in 2010 and 2011, preferential tariffs became low and below 1% for all stages as per simple average as can be seen for 2018. The situation is similar as per weighted average also except for consumer goods where it is 1.8%. Simple average effective tariffs are relatively high for raw materials (5.7%) and consumer goods (4.3%), while weighted average Effective Tariffs are low for all stages except consumer goods (8.0%) where it is still higher. Thus, in the non-preferential tariffed imports from ASEAN, a high value of imports of consumer goods have higher tariffs.

The above analysis shows that, while FTAs have resulted in lower Tariffs by India for its imports from FTAs at different stages of processing, there are some differences between them and particularly for Raw materials. As per the simple average, India's preferential tariffs for raw materials are relatively high in the case of imports from Japan, Republic of Korea and APTA and only for APTA as per weighted tariffs. In the case of APTA, the weighted tariff even for consumer goods imports is relatively high. Effective tariff (simple) is however relatively high for raw materials imports from Japan, Malaysia, Singapore, Thailand, APTA and ASEAN. Raw material imports even have relatively higher average weighted Effective tariffs for imports from the Republic of Korea, Thailand and APTA.

Similarly, for consumer goods imports, Effective tariff (simple) is relatively high for Japan, Republic of Korea, Malaysia, Singapore, Thailand, APTA and ASEAN and effective weighted tariff is high for imports from Japan, Malaysia, Singapore, APTA and ASEAN.

Thus, raw materials imports by India face relatively higher preferential tariffs (simple average) or effective tariffs or both in many FTAs. Similarly, India's consumer goods imports also face relatively higher effective tariffs (simple and weighted) in many FTAs. So, there is a need to ensure that preferential tariffs by India are low for raw materials, in general, and for low weighted raw materials imports in particular. Exceptions can be for sensitive items especially in the Agriculture sector.

4.5.2 FTAs' Tariffs on Imports from India by Stages of Processing

The tariffs by stages of processing by India's FTA partners on India is given in Table 4.27. The latest data for Malaysia and Thailand are not available and since the data is patchy for 1999 and 2005, only the 2018 data is considered for the 7 FTAs.

Table 4.27: FTAs' Tariffs on Imports from India by Stages of Processing

	Simple Average					Weighted Average					Imports (US\$ mn)				
	1999	2005	2018			1999	2005	2018			1999	2005		2018	
	MFN	MFN	PRF	AHS	MFN	MFN	MFN	PRF	AHS	MFN	Total	PRF	Total	PRF	Total
1. Sri Lanka															
Raw materials		15.4	2.7	9.2	13.4		16.7	6.8	17.8	18.8			114	18	164
Intermediate goods		6.9	0.9	4.1	6.6		7.2	1.2	3.7	5.9			526	255	1446
Consumer goods		19.0	1.8	11.8	17.9		12.0	8.0	15.3	17.3			486	192	1678
Capital goods		6.8	1.2	1.0	3.3		10.7	2.5	3.1	5.5			300	109	764
2. Japan															
Raw materials	9.2	10.2	1.2	5.9	6.6	1.4	0.9	2.7	1.0	1.4	1037		939	119	493
Intermediate goods	5.4	6.2	0.4	1.2	4.4	1.6	2.2	0.3	0.2	1.8	842		1112	1162	2170
Consumer goods	7.0	6.3	1.1	2.1	6.2	9.0	4.9	2.1	2.2	8.0	314		941	598	1693
Capital goods	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	48		187	4	579
3. Korea, Rep.															
Raw materials	5.1	24.6	4.8	28.2	32.6	2.5	28.8	19.2	74.2	75.9	65		244	136	326
Intermediate goods	8.3	8.9	0.7	5.2	11.0	6.5	5.8	0.7	0.8	4.0	600		838	2377	2652
Consumer goods	9.8	11.9	1.4	3.0	12.0	9.1	4.3	0.7	1.2	10.1	26		870	370	1414
Capital goods	7.3	6.2	0.0	0.0	6.3	7.0	6.9	0.0	0.0	6.9	76		135	415	439
4. Malaysia															
Raw materials	4.8	1.7				3.2	0.3				129		284		
Intermediate goods	7.7	6.4				5.9	4.9				204		463		
Consumer goods	14.0	11.7				9.2	7.2				62		157		
Capital goods	4.7	3.6				5.4	6.8				126		172		
5. Singapore															
Raw materials	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	57		51		277
Intermediate goods	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	341		2255		1237
Consumer goods	0.1	0.1	0.0	0.0	1.3	0.1	0.1	0.0	0.0	4.8	199		1455	12	3758
Capital goods	0.0	0.0		0.0	0.0	0.0	0.0		0.0	0.0	138		301		668
6. Thailand															
Raw materials	32.1	11.2				45.2	3.6				44		73		
Intermediate goods	34.8	6.1				23.9	3.0				362		872		
Consumer goods	55.6	22.1				52.6	12.0				26		185		
Capital goods	34.4	6.0				33.5	11.2				20		139		
7. SAARC															
Raw materials	10.1	18.8	5.4	6.6	10.0	9.8	11.9	7.7	7.7	8.6	276	332	510	434	1237
Intermediate goods	16.0	12.9	4.0	5.8	9.3	14.8	14.3	4.6	6.6	8.4	999	1224	1915	1260	5124
Consumer goods	24.1	20.9	5.6	10.5	15.7	19.0	15.6	9.7	15.7	17.6	468	1040	1473	1191	4977
Capital goods	11.8	10.8	4.9	4.6	9.1	12.8	12.6	4.9	9.2	10.6	294	419	776	301	2243
8. APTA															
Raw materials	12.3	14.2	4.2	14.2	17.4	4.0	2.5	4.6	8.6	9.3	599	198	6495	1135	3852
Intermediate goods	16.5	9.5	1.7	5.4	8.3	11.1	8.5	1.6	2.6	5.2	1647	1001	5108	9445	14256
Consumer goods	23.4	16.5	3.5	8.9	14.5	17.5	8.1	4.2	9.9	13.1	241	502	1868	1023	4149
Capital goods	11.6	7.5	1.7	2.4	5.3	9.2	8.6	2.6	3.4	5.7	296	324	1110	1292	2580
9. ASEAN															
Raw materials	7.2	4.6	3.4	2.5	4.0	11.8	4.1	8.9	7.6	9.0	338	197	663	2639	3514
Intermediate goods	9.5	4.9	2.6	2.2	3.8	8.7	1.9	2.2	1.5	2.5	1307	3920	5078	2512	5274
Consumer goods	13.6	10.2	5.9	5.0	8.3	7.8	2.8	8.9	3.0	7.3	424	1747	2150	1235	5460
Capital goods	8.4	3.8	2.5	1.8	2.8	5.0	4.5	4.4	4.6	7.6	356	535	872	1780	3005

Source: Based on the WITS-TRAINS data accessed on 28.02.2020

The topmost imports from India by most of India's FTA partners are intermediate goods. However, there are two exceptions, Singapore and ASEAN.

In the case of Singapore's imports from India, the major imports are consumer goods in 2018 followed by intermediate goods. This shift in pattern took place in recent years with intermediate goods being important in 2005. While India-Singapore CECA was implemented in 2005, this change in pattern has nothing to do with tariffs of Singapore which were 0% for almost all imports even earlier except for Beverages, Spirits and Vinegar, for which also zero tariff was extended in the CECA.

In the case of ASEAN's imports from India, both the consumer goods and the intermediate goods became equally important in 2018, while in 2005 the imports of consumer goods by ASEAN from India were almost half that of the intermediate goods. However, in the case of preferential imports by ASEAN from India, raw materials imports increased manifold in 2018 over 2005 topping the list of preferential imports from India followed by intermediate goods. Preferential tariffs are however high for raw materials imports at 8.9% as per weighted average in 2018. Preferential tariffs for consumer goods are also high at 8.9% as per weighted average and 5.9% as per the simple average.

In the case of Sri Lanka's imports from India, weighted average preferential tariffs are high for raw materials (6.8%) and consumer goods (8.0%) in 2018, though simple average preferential tariffs are low at 2.7% for raw materials and 1.8% for consumer goods. Simple average Effective tariff is high and the weighted average effective tariff is very high for these two stages. Since preferential imports form a small portion of total imports in all stages of processing, higher effective tariffs for raw materials and consumer goods indicate that for a majority of raw materials and consumer goods imports from India, high MFN tariffs apply.

In the case of Japan's imports from India, simple average preferential tariffs are low for all stages of processing. Weighted average preferential tariffs, though low, are slightly higher for raw material (2.7%) and consumer goods (2.1%). Capital goods have 0 tariffs as per both simple and weighted average. Japan's consumer goods imports from India which has doubled in 2018 over 2005 has a weighted average preferential tariff of 2.1% though the MFN tariff is high at 8.0%.

In the case of the Republic of Korea's imports from India, preferential tariffs are high in 2018 only for raw materials at 4.8% as per simple average and still higher at 19.2% as per weighted average. Effective and MFN tariffs for raw materials are very high at 74.2% and 75.9% as per weighted average and 28.2% and 32.6% as per the simple average in 2018. As a result, the Republic of Korea's raw materials imports from India is very small. For capital goods, both simple and weighted preferential tariffs are low but imports are small. For intermediate goods and consumer goods which are the major import categories, preferential tariffs both simple and weighted are low.

In the case of SAARC's imports from India, preferential tariffs are relatively high for all stages of processing, particularly, consumer goods and raw materials at 5.6% and 5.4% as per simple average and 9.7% and 7.7% as per weighted average respectively. Effective and MFN tariffs, both simple and weighted are still higher for consumer goods, which is a major category of imports.

In the case of APTA's imports from India, both simple average and weighted average preferential

tariffs for intermediate goods are low at 1.7% and 1.6% respectively. Intermediate goods imports form around 57% of the total imports of APTA from India. Low preferential tariffs have led to a ninefold increase in preferential imports of intermediate goods from India in 2018 over 2005. Preferential tariffs for raw materials and consumer goods are relatively high as per both simple and weighted average.

Thus, the preferential tariffs of India's FTA partners for imports from India, indicates that the main beneficiary is intermediate goods, while raw materials face higher tariffs. Consumer goods imports from India by Singapore and ASEAN, also increased after the implementation of CECA, though it is not related to tariffs which were 0 in Singapore even earlier, while it was high in ASEAN even in 2018.

4.5.3 India's Tariffs for FTAs and Vice-Versa by Stages of Processing : A Comparison

A comparison of the imports by FTA partners from India and the World by stages of processing has been done here by comparing the Effective tariffs as a proxy for Preferential tariffs, (as preferential tariffs data are not available) and also MFN tariffs by India's FTA partners to India and to the world (Table 4.28).

The effective tariffs of FTA partners for imports from India is generally lower than that of the FTA partners' tariffs on imports from the World in most cases under different stages of processing in 2018. However, in the case of tariffs for raw materials imports particularly by Sri Lanka, Republic of Korea, SAARC, APTA and ASEAN as per weighted average and for the Republic of Korea and APTA as per simple average, both the effective and MFN tariffs of India's FTA partners are noticeably lower for the World than for India. In the case of capital goods imports also the weighted average Effective Tariffs of SAARC, APTA and ASEAN to the World is slightly lower than that of India. Thus, India faces tariff disadvantage particularly for raw materials vis-à-vis the World in many FTAs. This implies that India's FTAs are possibly giving higher concessions to other countries in their other FTAs. It could also be due to the composition of commodities in the import basket of these FTAs from India vis-à-vis the World.

Table 4.28: FTA's Tariff on Imports from the World by Stages of Processing

	Simple Average					Weighted Average					Imports (US\$ mn)
	1999	2005		2018		1999	2005		2018		2018
	MFN	AHS	MFN	AHS	MFN	MFN	AHS	MFN	AHS	MFN	Total
1. Sri Lanka											
Raw materials		15.7	16.0	15.1	14.8		5.3	5.3	8.8	9.0	1563
Intermediate goods		7.2	7.2	7.5	8.7		6.0	6.4	15.0	15.6	7254
Consumer goods		18.5	19.4	20.8	20.5		13.4	13.7	19.6	20.1	6294
Capital goods		7.3	6.7	4.1	3.2		7.8	8.4	3.6	4.0	4412
2. Japan											
Raw materials	9.7	9.6	9.7	10.1	7.8	11.8	9.1	9.2	2.8	3.0	163316
Intermediate goods	5.5	4.4	5.6	3.4	4.8	3.3	2.4	2.8	1.8	2.5	98800
Consumer goods	6.3	5.1	6.1	5.2	6.7	6.2	4.5	5.0	3.7	4.9	237848
Capital goods	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	189708

3. Korea, Rep.											
Raw materials	12.5	22.4	27.6	20.9	27.2	4.9	17.1	17.1	8.8	13.5	109296
Intermediate goods	8.0	8.1	11.3	4.6	11.5	6.0	5.1	5.1	2.9	5.5	85176
Consumer goods	10.7	10.3	11.5	4.9	12.2	8.2	7.2	7.3	3.6	9.5	104953
Capital goods	7.2	5.8	5.9	1.8	6.2	5.6	3.4	3.4	2.1	5.8	159642
4. Malaysia											
Raw materials	7.2	2.0	1.3			10.1	1.3	1.3			
Intermediate goods	9.3	7.5	6.8			6.9	9.0	9.0			
Consumer goods	17.1	11.9	11.9			16.2	9.5	9.5			
Capital goods	5.3	3.7	4.2			1.9	1.7	1.7			
5. Singapore											
Raw materials	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	26450
Intermediate goods	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	53025
Consumer goods	0.1	0.1	0.1	1.4	1.0	0.2	0.1	0.1	1.0	2.8	80506
Capital goods	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	147831
6. Thailand											
Raw materials	42.9	10.3	15.5			27.9	1.2	1.4			
Intermediate goods	40.1	5.7	6.1			28.8	4.3	4.7			
Consumer goods	60.7	17.9	22.0			45.3	10.6	13.8			
Capital goods	33.9	5.6	6.4			33.7	4.8	5.4			
7. SAARC											
Raw materials	15.1	15.1	17.6	8.5	10.1	9.5	5.9	5.9	6.0	6.5	14897
Intermediate goods	18.1	12.4	13.7	9.0	9.6	19.2	16.3	16.4	9.2	10.0	31618
Consumer goods	27.2	20.3	21.5	16.5	15.7	32.9	20.0	20.1	15.0	15.8	32125
Capital goods	14.7	11.3	12.2	9.6	9.5	18.5	14.2	14.3	8.8	10.0	21050
8. APTA											
Raw materials	14.7	13.2	16.6	12.5	15.3	9.6	7.8	7.9	2.9	4.3	497985
Intermediate goods	14.5	8.9	9.7	5.8	8.7	12.0	6.7	6.8	3.3	4.9	461046
Consumer goods	21.5	13.7	15.4	10.0	14.3	14.5	9.0	9.1	8.4	11.3	342133
Capital goods	11.2	7.1	7.3	3.7	5.9	9.6	3.9	3.9	2.5	3.6	905916
9. ASEAN											
Raw materials	11.9	4.9	8.4	2.6	5.0	9.9	1.4	1.6	2.1	3.3	68435
Intermediate goods	9.9	5.0	5.8	2.4	4.1	10.5	5.0	5.4	1.1	3.2	148434
Consumer goods	19.5	9.7	12.9	5.6	8.9	13.8	6.2	7.4	3.3	8.5	158891
Capital goods	8.4	4.0	5.9	1.7	3.1	6.1	1.7	2.0	0.5	2.0	266414

Source: Based on the WITS-TRAINS data accessed on 28.02.2020

Thus, in balance, India's FTAs have resulted in lower preferential tariffs for India's FTA partners in different stages of processing helping to integrate into the value chains of production, though in the case of India's raw materials imports, preferential and effective tariffs are relatively high for some FTAs. The tariffs for India by India's FTA partners show that mainly India's exports of intermediate goods to these countries have benefited. While consumer goods imports by Singapore and ASEAN have increased; it is not because of tariffs. Thus, the tariff structure in the context of FTAs has possibly helped mainly in the integration of India's Intermediate goods in the global value chains through the forward linkages in India's exports rather than finished or consumer goods. India faces a tariff disadvantage compared to the World for its raw materials exports in many FTAs. This is possibly a pointer that India's FTA

partners are giving more concessions to other countries in their other FTAs. It could also be due to the differing composition of the raw materials import basket from India and the World by these FTAs.

4.6 Inferences and Suggestions

Some inferences and suggestions emerging from the analysis in this Chapter are the following.

4.6.1 Inferences

- Though a late entrant in the area of FTAs, India has entered into many PTAs/FTAs/RTAs/CECAs. In terms of the share in total imports and exports, among the existing FTAs, APTA, ASEAN and SAARC as country groups and Singapore, Korea and Japan as individual FTA partners are the major trading groups/countries.
- For important FTAs of India, the share of India's imports from the FTA in total imports of India after the FTA was formed increased discernibly though sometimes with lags in the case of Republic of Korea, Thailand, APTA and ASEAN and also Sri Lanka, though slightly with ups and downs and Singapore initially for some years after the FTA was formed and now again in 2018. In the case of the share of India's exports to FTA partners in total exports of India, there is an increase in shares in the case of Japan initially for 2 years and then a fall and Malaysia though small, SAARC particularly in recent years, APTA since 2003 and ASEAN immediately after the FTA was implemented and recently. Thus, it is basically APTA and ASEAN where there is some increase in shares on both the import and export sides of India since the FTAs were implemented and over the years.
- In most FTAs of India involving backward or less developed countries/groups, the share of Preferential imports by India is very high with very low preferential and effective tariffs as can be seen in the case of imports from Afghanistan, Bangladesh, Sri Lanka, Nepal and SAARC. Leaving MERCOSUR and APTA having relatively higher Preferential and Effective tariffs, for all others, not only are shares high, even Preferential and Effective tariffs are low.
- This is in sharp contrast to the imports of the FTA partners from India where the share of Preferential imports is much lower and the average weighted preferential tariffs are relatively higher than India's weighted preferential tariff on their imports.
- The share of Preferential imports by India in its imports from FTA partners is high in the case of Afghanistan, Bangladesh, Sri Lanka, Nepal, SAARC, Japan and Chile. But the share of preferential imports of these FTA partners in their imports from India is much lower. In the case of Singapore, the share of preferential imports in its total imports from India is negligible as Singapore's MFN tariffs were already low. Thus, India has not gained in terms of tariffs in India-Singapore CECA and gains need to be seen only in other parameters covered in the CECA. Some sort of balance in terms of Preferential trade can be seen only in the case of India's preferential trade with South Korea and beneficial for India in APTA and MERCOSUR, though preferential trade is limited especially with MERCOSUR.
- Preferential tariffs (weighted) is much lower than MFN tariffs on India's import side except for

■

APTA, while in India's FTA partners' side Preferential tariffs are closer to MFN tariffs except mainly for Korea, APTA and MERCOSUR (which of course has a small share in preferential imports from India). **This indicates that the margin of preference given by India to its FTA partners is higher than the margin of preference given by them except mainly in the case of Korea and APTA.**

- One more thing to be noted is that more than the utilization rate of FTAs/RTAs being lower by India on the export side, it is the coverage of items under preferential trade in the imports of FTA/RTA partners of India and the preference margins, which are important.
- **Thus, there is some sort of an “Unequal Exchange” in India's FTAs in terms of tariffs (the major parameter for forming FTAs/RTAs), though there are some exceptions.**
- **The sector-wise analysis of Preferential tariffs with important PTA/FTA/RTA countries/groups indicates the following:**
 - In the case of India's Preferential Trade with Sri Lanka, India has extended zero or near-zero tariffs for most of the major imports and preferential tariffs for even some sensitive items. On the other hand, Sri Lanka has extended zero tariffs in few 2-digit codes above \$50 million imports and that too for a small value of imports from India. Thus, India-Sri Lanka FTA in terms of tariffs is one of 'Unequal Exchange' with fewer benefits for India compared to Sri Lanka.
 - In the case of India's preferential trade with Japan, the preference margin is high in the case of most of the items at the 2-digit level on India's import side, while on Japan's imports side, the preference margin is relatively less as already India enjoys low or zero MFN tariffs in Japan. But in some important items of export interest to India like leather and footwear, organic chemicals & fish & related items, India has benefited. Thus, in terms of tariffs, India-Japan CEPA is relatively one of 'fair exchange'.
 - In the case of Indo-Korea Preferential trade, while in terms of share of preferential items in imports of India/Korea there is some sort of 'Equal Exchange', in terms of preference margins, the imbalance is there mainly due to relatively lower MFN tariffs of Korea.
 - In the case of India-Singapore CECA, India does not enjoy tariff-related benefits as Singapore already has zero MFN tariffs. Instead, India has given substantial concessions to Singapore with zero or low tariffs in many items with a high preference margin. The benefits need to be seen in areas other than tariffs.
 - In the case of India-Malaysia preferential trade, there are export benefits for both countries in specific products like refined palm oil exports for Malaysia and refined petroleum oil and semi-milled or wholly milled rice for India.
 - In the case of India-Thailand preferential trade, there are benefits for both the countries in specific products.
 - In the case of India-SAARC preferential trade, while India has zero or low preferential tariffs with

high preference margins for imports from SAARC, other SAARC countries have applied high preferential tariffs on imports from India with low preference margin. Thus, India's tariff-related benefits due to SAFTA are relatively less compared to its SAARC trading partners and this is also a case of 'Unequal Exchange' in terms of tariffs.

- In the case of India-APTA preferential trade, preferential tariffs are relatively high and preference margins low in both India's imports from APTA and APTA's imports from India. Thus, while there is some sort of a 'fair' or 'Equal Exchange' in this preferential arrangement in terms of tariffs, tariffs are still relatively high on both sides.
- In the case of India-ASEAN preferential trade, while the share of preferential imports by ASEAN from India is less than India's preferential imports from ASEAN, unlike other FTAs, India's share of preferential imports from ASEAN is relatively not that high. The preferential tariffs are low and the preference margin is high for India's imports from ASEAN, while preferential tariffs are relatively higher and the preference margin is low for ASEAN's imports from India. Thus, Indo-ASEAN CECA though not one of Equal Exchange has some amount of fairness in terms of tariffs, as MFN tariffs of ASEAN (both simple and weighted) are relatively low for India.
- The sample analysis related to India's total duties for two FTAs, Singapore and ASEAN shows that in the case of both, India's simple average total duty is much higher than simple average BCD. Sector-wise, relatively high total duties are there for sensitive items like footwear and articles of leather in the case of imports from Singapore and Coffee, Tea, Mate and spices, besides articles of leather and footwear in the case of ASEAN. Thus, the IGST and the SWS act as additional protective measures particularly in some sectors. While ITC is available for IGST there is no such provision for SWS. While other countries also have GST/VAT on their imports besides customs duties, the difference is in relatively lower rates in many important FTA partners of India.
- India's preferential tariffs, for India's FTAs by different stages of processing, shows that after the FTAs were implemented, tariffs have come down in all stages of processing in the case of almost all FTAs, though for India's raw materials imports, preferential and effective tariffs are relatively high for some FTAs.
- **The tariffs for India by India's FTA partners show that mainly India's exports of intermediate goods to these countries have benefited. While consumer goods imports by Singapore and ASEAN has increased, it is not because of tariffs. Thus the tariff structure in the FTA context has possibly helped mainly in the integration of India's Intermediate goods in the global value chains through the forward linkages in India's exports rather than finished or consumer goods. India faces a tariff disadvantage compared to the World for its raw materials exports in many FTAs. This is possibly a pointer that India's FTA partners are giving more concessions to other countries in their other FTAs. It could also be due to the differing composition of the raw materials import basket from India and the World by these FTAs.**

4.6.2 Suggestions

In the light of the above analysis and inferences, some suggestions for rationalization of tariffs in the

context of India's FTAs are the following:

- India's benefits are relatively less from its FTAs compared to its FTA partners in terms of tariffs, the main pillar of any FTA negotiation leaving some exceptions. Thus, there is some sort of an 'Unequal Exchange' for India in terms of Tariffs. While factors other than tariffs are also important, the importance of tariffs cannot be ignored. **So, India should not rush to conclude FTAs with many countries/groups. A proper evaluation even of existing PTAs/FTAs/RTAs/CECAs is needed on the lines of a Zero Budgeting exercise.**
- Since some countries are in multiple FTAs and the same commodities are included in tariff concessions in different FTAs, there should be some uniformity. **The tariff concession for a tariff line should be the same for all FTAs. This will help in avoiding an FTA partner trying to use or misuse the best concessions in the FTA which has relatively lower preferential tariffs. This will also help in removing the confusion to domestic producers and make actions of a multiple FTA partner predictable.**
- Many FTAs of India to developing countries has resulted in mainly giving tariff concessions. So a proper evaluation of the less developed and developing countries needs to be done to see whether they have graduated to a level where tariff concessions may not be needed for some items or whether the same countries are competing against India, using the tariff concessions. With the US withdrawing GSP benefits to India but not to some developing FTA partners of India, India will be more open to competition in the US market from its FTA partners. **In this context, India has to see whether the existing concessions given to LDCs have to be re-evaluated. Along with the 'graduation clause' for the developing country FTA partners, there is a need for a 'sunset clause' for some concessions to FTA partners.**
- Since WTO negotiations have stalled, FTAs/RTAs have mushroomed all over the World. However, if WTO negotiations take place or if India can come up with some major tariff-related offers as indicated in Chapter 2, then many of the existing FTAs may become irrelevant. **So, the tariff policy towards FTAs should be in sync with the General Tariff policy and possible offers by India on tariffs at the multilateral level.**
- In the case of any future negotiations of FTAs, where the MFN tariffs of partner countries are already zero, near-zero or low and preference margins for India would be low, India should get maximum gains in areas other than tariffs. **FTAs should be based primarily on economic gains and Political, Strategic or other gains should be secondary. Tariff Liberalization on both sides should not affect the sensitive sectors, particularly the agricultural sector.**
- **There is also a need to see that total duties do not become unduly protective** not only in the context of general trade but also for preferential trade. For this SWS on imports needs to be removed and IGST rationalized to see that India's imports do not become more protective.
- The analysis of preferential tariffs in FTAs by stages of processing shows that India's tariffs have fallen and are low for all the FTAs in all stages of processing after FTAs were implemented. However, **the preferential and effective tariffs on raw materials are relatively higher than in other stages of processing in many FTAs. This needs to be addressed to avoid a type**

of inverted duty structure due to FTAs. This could also be due to the composition of raw materials particularly agricultural raw materials which have relatively higher tariffs.

- While India's FTAs have resulted in lower preferential tariffs for India's FTA partners in different stages of processing (except for raw materials in some cases) helping to integrate in the value chains of production, the preferential tariffs of India's FTA partners for India show that the tariff structure changes have helped in India's exports of mainly intermediate goods to these countries. Consumer goods exports have increased only for Singapore and ASEAN, but this is not due to tariff concessions. India's raw materials imports face a tariff disadvantage compared to their imports from the world in many FTAs. This is a pointer that India's FTA partners are possibly giving more concessions to other countries in their other FTAs which needs to be examined.
- Finally, the tariff structure in the context of FTAs has helped mainly in the integration of India's Intermediate goods in the global value chains through the forward linkages in India's exports rather than finished or consumer goods except in the case of Singapore and ASEAN. Tariff negotiations in FTAs should also try to get greater market access for India's finished goods.

**Annexure 1 : India's BCD and Total Duties; Sector-wise in India-Singapore
CECA and India-ASEAN CECA**

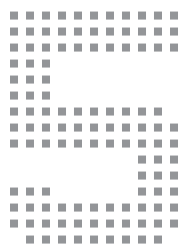
Code	Sector Name	Singapore			ASEAN-A			ASEAN-B		
		Average Basic Duty	Average Preferential tariff	Average Total Duty	Average Basic Duty	Average Preferential tariff	Average Total Duty	Average Basic Duty	Average Preferential tariff	Average Total Duty
01	Live Animals	-	-	-	30.0	0.1	1.1	30.0	0.3	1.2
02	Meat and Edible Meat Offal	-	-	-	30.0	0.0	0.0	30.0	0.0	0.0
03	Fish and Crustaceans, Aquatic Invertebrates	30.0	3.7	4.9	30.0	1.3	2.6	30.0	2.6	4.1
04	Birds' Eggs; Natural Honey, etc	-	-	-	30.7	1.3	8.1	30.7	2.7	9.6
05	Products of Animal Origin, etc	30.0	0.8	5.4	30.0	0.0	3.3	30.0	0.0	3.3
06	Live Trees and other Plants; etc	-	-	-	5.0	0.0	0.0	5.0	0.3	0.4
07	Vegetable seeds; Edible Vegetables and Certain Roots and Tubers	-	-	-	30.0	0.0	0.0	30.0	0.0	0.0
08	Edible Fruit and Nuts; etc Melons	-	-	-	32.3	0.0	2.3	32.3	0.3	2.6
09	Coffee, Tea, Mate, etc.	-	-	-	65.0	28.4	37.5	65.0	34.3	44.3
10	Cereals	-	-	-	-	-	-	-	-	-
11	Products of the Milling Industry, etc	-	-	-	-	-	-	-	-	-
12	Oil Seeds and Oleaginous Fruits; etc.	-	-	-	19.1	0.0	0.0	19.1	0.6	0.6
13	Lac; Gums, Resins, etc	30.0	0.0	5.0	29.6	0.1	11.2	29.6	2.6	14.0
14	Vegetable Plaiting materials, etc	30.0	0.0	5.0	30.0	0.0	6.3	30.0	3.3	10.3
15	Animals or Vegetable Fats, etc.	30.0	0.0	5.0	39.0	5.3	17.3	39.0	7.9	20.4
16	Preparations of Meat/Fish, etc.	30.0	3.4	14.7	30.0	0.3	12.4	30.0	1.7	14.1
17	Sugars and Sugar Confectionery	-	-	-	27.4	0.0	18.4	27.4	1.4	20.2
18	Cocoa and Cocoa Preparations	30.0	0.0	18.0	30.0	0.0	14.8	30.0	2.5	18.0
19	Preparations of Cereals, etc	32.2	0.0	12.6	31.3	0.0	13.7	31.3	2.3	16.7
20	Preparations of Vegetables ,etc.	-	-	-	37.6	0.0	12.0	37.6	0.3	12.3
21	Miscellaneous Edible Preparations	81.9	34.3	60.7	30.6	0.0	13.7	30.6	0.0	13.7
22	Beverages, Spirits and Vinegar	30.0	0.0	14.6	30.0	0.0	16.3	30.0	2.7	19.7
23	Residues and Waste from Food Industries; etc etc.	5.0	2.5	7.9	24.7	0.9	5.5	24.7	0.9	5.5
24	Tobacco and Manufactures; Tobacco Substitutes	-	-	-	-	-	-	-	-	-
25	Salt; Sulphur; etc	6.7	0.7	7.7	6.9	0.3	7.0	6.9	0.4	7.1
26	Ores, Slag and Ash, etc	2.7	0.0	5.0	3.1	0.0	7.3	3.1	0.0	7.3
27	Mineral Fuels, etc	7.3	0.0	13.5	5.1	0.2	11.0	5.1	0.2	11.0
28	Inorganic Chemicals; etc	7.5	2.7	21.2	7.5	0.1	17.9	7.5	0.1	17.9
29	Organic Chemicals	7.1	2.4	21.2	7.0	1.0	19.2	7.0	1.0	19.3
30	Pharmaceutical Products	9.9	3.2	15.1	9.9	3.3	15.3	9.9	3.3	15.3
31	Fertilisers	7.5	3.8	9.3	6.2	2.9	8.3	6.2	2.9	8.3
32	Tanning or Dyeing Extracts; etc.	8.0	2.3	20.5	7.9	0.1	17.7	7.9	0.1	17.8
33	Essential Oils, etc	19.1	0.4	18.6	19.4	2.4	20.9	19.4	3.6	22.5
34	Soap, Organic Surface Agents, etc	9.9	1.9	20.5	10.3	1.4	19.6	10.3	1.4	19.6

35	Albuminoidal Substances; etc.	15.0	5.0	24.5	13.8	1.4	19.9	13.8	2.0	20.6
36	Explosives; Pyrotechnic Products; etc.	-	-	-	10.0	0.0	18.0	10.0	0.0	18.0
37	Photographic or Cinematographic Goods, etc	9.9	0.1	18.0	9.9	0.2	17.9	9.9	0.2	17.9
38	Miscellaneous Chemical Products	8.2	1.1	19.2	8.5	0.7	18.4	8.5	0.9	18.6
39	Plastics and Articles	10.0	2.9	21.7	10.1	3.2	22.0	10.1	3.8	22.9
40	Rubber and Articles thereof	9.8	2.2	20.5	10.0	2.3	20.6	10.0	2.6	21.0
41	Raw Hides and Skins, etc (Other than Furskins) and Leather	6.0	0.0	5.0	6.0	0.0	5.0	6.0	0.0	5.0
42	Articles of Leather; etc Saddlery and Harness; Travel Goods, Handbags and similar containers; Articles of Animal Gut (other than Silk-worm Gut)	13.5	4.9	24.3	13.5	4.8	24.2	13.5	5.0	24.3
43	Furskins and Artificial Fur; etc	4.1	0.0	18.0	4.1	0.0	18.0	4.1	0.0	18.0
44	Wood and Articles of Wood; etc	8.6	0.0	16.0	8.7	0.1	16.0	8.7	0.4	16.4
45	Cork and Articles of Cork	-	-	-	10.0	0.0	11.9	10.0	0.0	11.9
46	Manufactures of Straw, etc	-	-	-	10.0	0.0	5.0	10.0	0.0	5.0
47	Pulp of Wood, etc	7.9	0.0	8.0	6.0	0.0	10.7	6.0	0.4	11.1
48	Paper and Paperboard; etc	10.1	1.8	16.3	10.0	0.3	14.5	10.0	0.7	15.0
49	Printed Books, etc	7.3	0.0	7.1	7.4	1.0	8.1	7.4	1.0	8.1
50	Silk	15.8	0.0	2.5	13.3	0.0	3.4	13.3	0.0	3.4
51	Wool, Fine or Coarse, etc	-	-	-	8.3	1.5	5.9	8.3	2.2	6.7
52	Cotton	8.5	0.4	5.4	9.7	3.0	8.4	9.7	3.4	8.9
53	Other Vegetable Textile Fibres	-	-	-	11.4	0.4	5.2	11.4	1.7	6.8
54	Man-made Filaments	20.0	0.0	12.0	20.0	0.9	8.6	20.0	3.2	11.2
55	Man – made Staple Fibres	20.0	0.0	18.0	20.1	2.4	11.8	20.1	3.5	13.1
56	Wadding, Felt Nonwovens	-	-	-	11.2	0.0	10.9	11.2	1.5	12.6
57	Carpets, etc.	19.8	0.0	11.2	19.8	0.0	11.5	19.8	3.2	15.5
58	Special Woven Fabrics; etc	-	-	-	10.2	0.0	9.4	10.2	0.5	9.9
59	Impregnated, Coated, textile fabrics, etc.	18.8	1.9	14.3	12.9	0.7	12.8	12.9	0.9	13.1
60	Knitted or Crocheted Fabrics	15.9	0.0	5.0	15.9	0.0	5.0	15.8	1.1	6.3
61	Articles of Apparel Knitted, etc	-	-	-	-	-	-	-	-	-
62	Articles of Apparel Not Knitted, etc.	-	-	-	-	-	-	-	-	-
63	Other Made Up Textile Articles; etc.	10.0	0.0	12.0	10.0	1.7	11.6	10.0	1.7	11.6
64	Footwear, Gaiters, etc	23.6	9.4	30.2	23.2	4.8	24.2	23.2	5.0	24.4
65	Headgear and Parts Thereof	10.0	0.0	18.0	10.0	0.0	18.0	10.0	0.0	18.0
66	Umbrellas, etc	-	-	-	10.0	0.0	12.0	10.0	0.0	12.0
67	Prepared Feathers, etc.	10.0	0.0	18.0	10.0	0.7	16.9	10.0	0.7	16.9
68	Articles of Stone, Plaster, Cement, etc	15.2	0.0	18.0	13.5	0.1	18.0	13.5	0.1	18.0
69	Ceramic Products	9.6	0.3	12.6	9.4	0.6	16.5	9.4	0.7	16.7
70	Glass and Glassware	10.3	0.7	17.8	10.1	0.8	18.0	10.1	1.0	18.2
71	Natural or Cultured Pearls, etc.	14.2	2.7	5.1	13.5	0.0	2.2	13.5	0.0	2.2
72	Iron and Steel	9.4	0.0	18.0	9.7	0.0	18.0	9.7	0.0	18.0
73	Articles of Iron or Steel	10.2	0.4	18.1	10.1	0.2	18.0	10.1	0.2	18.0
74	Copper and Articles thereof	6.6	0.0	15.8	6.8	0.6	18.3	6.8	0.8	18.5

75	Nickel and articles thereof	0.0	0.0	18.0	0.0	0.0	18.0	0.0	0.0	18.0
76	Aluminium and articles thereof	8.6	0.0	18.0	8.7	0.0	17.6	8.7	0.9	18.8
78	Lead and Articles thereof	7.5	0.0	18.0	6.2	0.0	18.0	6.2	0.3	18.4
79	Zinc and Articles thereof	6.5	3.0	21.9	5.7	0.0	18.0	5.7	0.0	18.0
80	Tin and Articles Thereof	6.0	0.0	18.0	5.9	0.0	18.0	5.9	0.0	18.0
81	Other Base Metals	7.5	2.4	21.2	6.4	0.0	18.0	6.4	0.4	18.6
82	Tools, Implements, etc	10.0	1.0	16.9	10.0	0.0	16.1	10.0	0.8	17.1
83	Miscellaneous Articles of Base Metal, etc.	10.8	0.2	18.2	10.9	0.0	17.2	10.9	0.3	17.6
84	Nuclear Reactors, etc	7.1	2.4	21.0	7.3	0.3	18.2	7.3	0.7	18.7
85	Electrical Machinery, etc	7.9	2.9	22.2	8.1	0.5	19.1	8.1	1.2	20.0
86	Railway or tramway, etc	10.0	0.0	12.2	10.0	0.0	12.1	10.0	0.0	12.1
87	Vehicles other than Railway, etc	13.1	1.1	19.7	29.7	0.7	20.2	29.7	1.4	21.2
88	Aircraft, Spacecraft and Parts thereof	9.2	0.0	14.6	9.4	0.0	15.4	9.4	0.0	15.4
89	Ships, Boats, etc	11.5	0.0	10.1	11.5	0.0	10.1	11.5	0.0	10.1
90	Optical, photographic, apparatus;etc	7.4	0.9	17.3	7.4	0.1	16.2	7.4	0.3	16.5
91	Clocks and Watches, etc	13.9	5.8	25.5	13.8	0.0	18.0	13.8	0.0	18.0
92	Musical Instruments, etc	10.0	1.8	20.4	10.0	0.0	18.0	10.0	0.0	18.0
93	Arms and Ammunition.	10.0	1.7	20.2	10.0	0.0	18.5	10.0	0.0	18.5
94	Furniture; Bedding, etc	16.4	0.3	17.1	17.1	0.4	16.6	17.2	1.1	17.5
95	Toys, Games and Sports Requisites; etc	20.0	0.0	15.6	20.0	0.0	13.3	20.0	0.0	13.3
96	Miscellaneous Manufactured Articles	11.2	0.4	15.7	10.9	0.4	16.0	10.9	0.7	16.4
97	Works of Art, etc	7.0	0.0	9.9	8.2	0.0	10.8	8.2	0.0	10.8

Source : Computed from the Academy of Business Studies : CUSTADA database. Methodology as given in Table 4.25.

Note: '-' means N/A.



India's General and Preferential Tariffs: Some Sector-Specific Issues and Suggestions

In the previous Chapters, India's Tariffs in general and with respect to FTAs/RTAs have been examined based on National and International data. In this Chapter, the practical issues related to Tariffs, based on the experience of Trade & Industry, Associations related to farm products and other stakeholders is given. Two major issues have been examined here. First, rationalizing MFN applied tariffs and preferential tariffs in different sectors including raising/lowering tariffs and addressing inverted duty structure in some sectors. Second, examining the possible impact on different sectors of India entering into new FTAs like RCEP, Indo-US FTA, etc.

5.1 Rationalizing MFN and Preferential Tariffs in different Sectors

While Tariffs are high in some sectors and for some items, they are also too low in some sectors and for some items harming the domestic sector. The unwarranted low tariffs may also be due to historical factors, policy errors, tariff liberalization efforts, etc. While tariff rationalization should aim at greater liberalization, the concerns of the sensitive domestic sector, particularly the agriculture sector where there are livelihood concerns should be taken into account. Rationalization also needs to take into account the complexities and nuances created by the multiple PTAs/FTAs/CECAs/CEPAs of which India is a party.

Another issue in tariff rationalization is the inverted duty structure, wherein raw materials and items at the lower stage of production have higher tariffs than the items in subsequent stages of production and finished goods. The Government has over the years tried to address inverted duty issues. However, some cases remain and new ones get created when making tariff changes. A new type of inverted duty has also arisen due to FTAs wherein the finished goods imported from FTAs have zero or low duty but products of earlier stages of production like raw materials and intermediate goods imported from non-FTA countries have higher duties.

Here an attempt has been made to list out issues and cases for rationalization for different sectors including lowering or raising tariffs both General and for FTAs and listing some remaining cases of inverted duty structure in the industrial sector. This is not an exhaustive list, but only an indicative list.

5.1.1 Agricultural Sector

5.1.1.1 Plantations

Natural rubber (NR)

NR is not covered by the Agreement on Agriculture (AoA) though it is an agricultural product

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and NR was not protected under the WTO Agreement due to irrational product coverage.

Other industrial raw materials like cotton, wool, flax and silk are included in the product coverage of AoA and hence have the bound rate at 100% for primary products and 150% for processed products, whereas the bound rate of dry forms of NR is only 25%. The applied import tariff on NR is 25% or Rs 30 per kg whichever is lower for dry forms of NR and 70% or Rs 49/- per kg whichever is lower for latex. Import duty for latex is relatively high but latex accounts only for around 7% of NR consumption in India and less than 2% of it is imported. The bound rates and applied rates of duty of other comparable plantation crops in India are substantially higher than those of NR. For example, import duty for coffee and tea is 100% while the import duty for pepper and cardamom is 70%.

This has affected the rubber sector in India adversely. Imports of natural rubber have increased from 77,000 tonnes in 2010-11 (\$ 640 mn) to 5,82,000 tonnes in 2018-19 (\$873 mn) mainly from Indonesia, Malaysia, Thailand, Singapore and Vietnam. Domestic price has come down much below the cost of production resulting in huge loss to producers which has compelled many producers not to tap rubber, thus reducing the total production. The production has come down from 9,11,000 tonnes in 2010-11 to 6,55,000 tonnes in 2018-19.

Domestic rubber prices are highly sensitive to the volume, timing and cost of imported rubber. In India, rubber production is predominantly a smallholder activity. There are 1.32 million smallholdings with an average size of around 0.57 hectares. The sector provides regular employment to around 4.5 lakh rural people. Low rubber prices may lead to smallholders replacing rubber cultivation with other crops leading to a severe shortage of this strategic material in the future. Since the rubber plants start yielding only after 6-7 years and have a productive life span of around 20-25 years, shifting to new crop is not easy.

Tariff lines on NR under HS 4001 were included in exclusion/negative lists in all major FTAs (except SAFTA). Under SAFTA, NR is allowed to be imported from least developed country members at zero duty from 2011. Least developed country members of SAFTA are Nepal, Bhutan, Bangladesh, Afghanistan and Maldives. Among these countries, Bangladesh is the only producer of NR and hence NR can be imported into India at zero duty from Bangladesh. Tariff concessions were also given under APTA, by applying a 20% tariff with effect from 1st July 2018.

NR also faces stiff competition from imported low tariffed synthetic rubber. For synthetic rubber, BCD is only 10% with 0 duties for SAFTA-LDCs & all LDCs, Nepal, Korea, ASEAN, Malaysia, Pakistan & Sri Lanka under SAFTA and preferential duty of 1.8% for Japan.

In view of the above facts, tariffs should not be lowered for natural rubber in general. As regards APTA and other FTAs for which concessions are given, they are not major exporters and the threat is less. But rules of origin should be implemented strictly. Though production and export of NR by Bangladesh is not high given the stagnating low prices of rubber, import of NR from Bangladesh needs to be monitored regularly particularly to prevent third country import through the country. The fact that NR was included as an industrial product during WTO negotiations and its bound rate fixed at 25% should be an eyeopener for Indian negotiators to be more careful in future negotiations.

Tea

India's MFN tariff for tea was fixed at 100%. Besides its competitive disadvantage compared to other

producing countries, in India, there is an additional burden on account of social costs mandated by the Plantation Labour Act 1951.

Black Tea falls under Special products as per India-ASEAN CECA and applied MFN tariff rates have been reduced annually from the base rate of 100% to 45% in 2019 as per a fixed time table from 2010. India also does not have a robust "Place of Origin" mechanism in place and thus the above reduction in import tariff opens the Indian market, to the FTA countries in ASEAN like Indonesia and Vietnam which are also major tea producing countries. **So, while the preferential tariffs under India-ASEAN CECA need to be reviewed, any further tariff reduction could result in large imports to the huge domestic market from these countries which have a low cost of production.**

There are some opportunities for negotiating tariff reduction by India's FTA partners. In the India Sri Lanka Free Trade Agreement, though tea is in the negative list for both the countries, concessions are given for import of tea up to 15 MKgs in a year for both the countries at 7.5% fixed tariff rate. With the stagnant Sri Lankan production, India has an opportunity to request for 100% duty concession instead of present tariff rate quota (TRQ) arrangement in the forthcoming Economic and Technology Cooperation Agreement (ETCA) meeting.

Japan's preferential tariff to India under India-Japan CEPA is 8.5%, 6% and 0.71% for green tea (not exceeding 3kg), black tea (not exceeding 3kg) and black tea (bulk) respectively, whereas imports from Indonesia to Japan attracts only 5.3%, 0% and 0% on the same items. India needs to negotiate with Japan to reduce tariffs on Indian tea at least upto the preferential tariff extended to Indonesia by Japan.

Another issue in the case of tea is the use of tea bags and multi-wall paper sacks which are rapidly increasing in the World tea market. As a result, the demand for filter paper, nylon cloth, etc. which are used to make tea bags have been rising. These products are neither available in the domestic market nor are they of the desired quality. Particularly filter paper continues to be unavailable domestically. The total incidence of duty on the importation of these products are high (Table 5.1). **Since these items are of vital importance to scale up value addition and exports there is a need to consider lowering tariffs for these items particularly filter paper.**

Table No: 5.1: India's Tariffs on some inputs used by Tea Industry

Name of Items	Basic Customs Duty	IGST	Preferential Duty	Total Duty
Filter papers - HS Code – 482320	10	5	-	15.5
Nylon Cloth - HS Code- 591190	10	12	-	23.2
Multi-Wall Paper Sacks - HS Code- 48194000	10	12	10	23.2
Krafts Paper - HS Code- 48103910	10	18	-	29.8
Tissue paper - HS Code- 48182000	10	18	-	29.8

Source: Tea Board

Coffee

Like tea, the import tariff of coffee was also fixed at 100% considering India's comparative disadvantages. Tariff for green beans imports for domestic use is 100% and is needed to protect the

domestic growers. **While zero duty import has been allowed for value addition purpose, proper controls should be in place to see that zero duty imports are not used for the domestic market.**

Pepper

Pepper has an import duty of 70% at present. While the cost of production of pepper is Rs.500/Kg, the price of pepper which in 2015-16 and 2016-17 was around Rs.700/- has now come down to Rs.300/- with imports of \$ 124.1 million in 2018-19 mainly from Sri Lanka, Vietnam and Indonesia. Domestic market price has already crashed. While the Government of India imposed minimum import price on pepper, challenges are faced by the predominantly marginal & small growers of Black Pepper in Karnataka, Kerala and Tamil Nadu. The challenges are as follows.

- **Inclusion of pepper in some FTAs with differing tariff concessions is causing problems.** India has preferential tariffs under three different bilateral agreements for black pepper which is a sensitive item. Under ASEAN, duty payable is 51% whereas under Indo Sri Lanka Free Trade Agreement (ISFTA) and SAFTA the duties are zero percent and 8%. So, diversion of pepper to avail the best preferential duty is resorted to by unscrupulous elements who reroute pepper of Vietnamese or Indonesian origin via Sri Lanka. Infact, most of the pepper producing countries are in the ASEAN region. Black pepper growth in these countries including Vietnam is routed through SAFTA countries and/or Sri Lanka (ISLFTA) for availing lower import duty. Irrespective of the country in which pepper is grown, the country which exports to India issues the certificate of origin. In Sri Lanka, importers manage to get the certificate of origin of Sri Lanka easily for pepper originating from Vietnam or Indonesia which is of poor quality with chemical residues and avail the benefits under these FTAs.
- **Some exporters are importing pepper from Vietnam with duty rebates** and the same gets retained and sold in India. Instead of re-exporting Vietnam pepper with value addition, Indian grown pepper is rebagged and exported as processed/sterilized Vietnam pepper. By this malpractice, the exporter gets the entire import duty credited back to his account. The reason for selling Vietnam pepper in the domestic market is mainly because Indian pepper quality is much superior and Indian pepper fetches around Rs. 200-250 more in the International Market.
- **The inferior quality imported Vietnam pepper is also blended with Indian pepper spoiling the quality and reputation of Indian Quality Pepper** domestically and internationally. This impacts Indian reputation for quality and destroys the Brand Value of Indian Pepper which has been created over generations.
- **Large quantities of pepper are being smuggled into India** via Nepal, Myanmar and Bangladesh borders. Pepper imported for Nepal at Kolkata port slips into Indian domestic markets en route to Nepal at Gorakhpur border.

In view of the above, pepper should not be included in any new FTA and Minimum Import Price of Rs.500/- needs to be continued. The above also indicates the need for having a uniform preferential tariff under all FTAs for a particular item, including for pepper. Given the continuation of low prices for pepper in the last few years there is a need for renegotiation

of tariff concessions given to FTAs along with measures like a cap on import quantity for SAARC countries equal to surplus production; scrutinizing all duty refunds on re-exports as re-exports are sometimes done even without value addition only to get refunds; monitoring imports under Indo-Sri Lanka FTA and ASEAN route; and finally imposing a ban on imports from those countries which do not grow black pepper even if they are part of any FTA of India.

Arecanut

Arecanut has 100% import duty at present. India produces more than 50% of the World production of arecanut and about 10 million people depend on this crop. Import duty exemptions/concessions are given to goods imported from Myanmar through land including arecanut/betelnut. SAFTA LDCs (including Bangladesh, Bhutan, Maldives, Nepal, Afghanistan) have been extended 0% duty. Similarly, India's preferential tariff for Sri Lanka is 0%, SAFTA 8%, SAPTA 50% and SAPTA LDCs 40%. Imports are mainly from Sri Lanka and Indonesia though there are reports of informal or illegal imports from Myanmar. The LDC Concession Notification says that the concession is for goods produced in Myanmar. But goods produced in other countries like Indonesia, Malaysia, Thailand, etc. are routed through Myanmar to India using this Notification.

Some important points related to Arecanut are the following.

- India is self-sufficient in arecanut and produces more than 50% of the World production of arecanut employing 10 million people, though consumption of arecanut is decreasing day by day.
- The cost of production for other countries is less as it is a forest crop, whereas in India it is a plantation crop and thus the cost of production is high.
- Free import also results in dumping of inferior quality arecanut.
- Out of the 29 States/Union Territories in India, 27 States/Union Territories have banned the production and sale of gutka. Since states are banning gutka resulting in reduced consumption of arecanut, there is no rationale to allow imports which will only hurt domestic cultivators.

Given the above, there is no need to include arecanut in any FTA. Infact, there is a need to review the current LDC concessions to Myanmar and include arecanut in the Exclusion List.

Cashew

Cashew Industry employs 6 lakh rural women. The raw material of this industry - raw cashew nut in shell (HS CODE 0801300) is subjected to an import duty of 2.5%. India produces about 7 lakh MT of raw cashew and the industry needs about 18 lakh MT per annum for running throughout the year and provide gainful employment. Therefore, till Indian output grows to this size, lowering import duty on raw cashewnut in shell can be considered.

However, in the case of other categories of cashewnut under GSTP, India has extended duty free imports of cashewnut shelled (08013200), cashew kernel wholes (08013220), cashew kernel broken

(08013210) and cashewnut-others (08013290) for LDC countries. This has resulted in large imports from these countries as these countries do not have an internal market for this commodity. So, for these items, there is a need to review the concessions to some LDCs.

5.1.1.2 Other Agricultural Products

Rice

India is a net exporter of rice. The tariff issue, in this case, is related to the high tariffs by Japan, India's FTA partner compared to India's tariff for Japan. The ad valorem equivalent (AVE) tariff in Japan in 2018 for rice others (Code 10063090) was 384.1%, while import tariff in India on rice is 70-80% ad valorem. Added to this, India has extended preferential tariffs to Japan of 12.7% for other rice (code 10063090). **The high tariff by Japan for rice could be considered while reviewing FTA with Japan.**

Another related issue is India getting less favorable treatment from India's FTA partners compared to the higher tariff concessions given by them to India's competitors. An example is of India-Sri Lanka FTA. Both India and Pakistan have FTAs with Sri Lanka. Pakistan has been granted zero duty TRQ of 6000 MTs of basmati rice (PK 385 or Super Kernal) by Sri Lanka under the PSFTA effective 1.3.2000. In the case of ISLFTA, India has granted zero duty access to Rice for Sri Lanka for the following categories rice in the husk (Paddy or rough); husked (brown) rice; semi milled or wholly milled rice and broken rice. On the contrary, the above HS codes are under the negative list in Sri Lanka and as per the current import duty structure in Sri Lanka as amended w.e.f. 15.11.2008, import duty is 30% or Rs 55/Kg. Added to this is a VAT of 15% plus PAL (Ports and Airport Development Levy) of 7.5% and NBT (Nation Building Tax) of 2%. Thus, there is a great disparity in the tariffs extended for rice by Sri Lanka to India in comparison to both the concessions extended by India to Sri Lanka and the concessions extended by Sri Lanka to Pakistan. This needs to be considered during the next review of India-Sri Lanka FTA.

So, any tariff rationalization policy concerning FTAs should also consider whether fair treatment is extended to India by its FTA partner and negotiate for the same.

Oilseeds

In the case of Indian groundnut and sesame seeds, import tariffs in China are 15% and 9% respectively for India, whereas, African countries enjoy duty-free access. So, under APTA, India can negotiate for zero duty access to China's market for these items since other competing countries have greater tariff advantages than India in the FTA partner country. **So, here also the issue is one of the relatively higher tariffs for India compared to some other countries.**

5.1.2 Non-Agricultural Sector

Electronics sector

This sector has been badly affected by ITA1 with 217 tariff lines at zero duty since April 2005. By the time the ITA1 was implemented, the Newly Industrialized Countries (NICs) of Asia had become

competitive in this sector, while India was just entering this sector. Thus, ITA1 badly affected the domestic Electronics sector. **So, the option of lowering tariffs in this sector is limited except for inputs needed to strengthen domestic manufacturing. A carefully thought out tariff rationalization policy is needed if India has to make up for the loss in missing the bus and make its dream of 'Make in India' a reality in the semiconductor sector.**

In Budget 2020-2021, for some electronic goods like microphone-cartridge holder, grill and body and some other electronic goods imported by domestic manufacturers, customs duties were reduced to zero. Meanwhile, to promote 'Make in India' under Phased Manufacturing Programme (PMP), the customs duty on PCBA, vibrator/ringer of mobile phones and display panel and touch assembly were raised. Similarly, for motors like single-phase AC motors, etc., specified chargers and power adapters, fingerprint readers, earphones and headphones, customs duties were raised.

Going forward, while for some items like digital projectors, tariffs can be reduced from 40% to possibly 20%, for some items, there is a need to consider raising tariffs. Several products have 10% duty which is not sufficient to protect the still-nascent domestic sector. So, for products not listed under ITA-1, import tariffs could be raised to 20% as indicated below (Table 5.2).

Table No. 5.2 : Products not listed in ITA1 for Tariff Rationalization

Sl no	Description of goods	CTH	Existing rate of BCD (%)	Recommended rate of BCD (%)
1	Networking Switches	85176290/ 85176990	10	20
2	Access Points	85176290	10	20
3	Repeaters	85176290	10	20
4	Transceivers	85176290	10	20
5	Media Convertors	85176290	10	20
6	Optical Fiber Splitter	85367000	7.5	20
8	Optical Fiber Enclosures	85369030	10	20
9	Passive Optical Network Products (PON) – OPTICAL NETWORK UNIT (ONU)/ OPTICAL LINE TERMINATION (OLT)	85176290/ 85176990	10	20
10	Set-Top Boxes including Android Boxes	85287100	10	20
11	Antennae	85177090	0	20

Source : MAIT

In fact, import duty on all electronic finished products and Tier-I subassemblies could be increased to 20% under the PMP. Since import duty can be offset if inputs are used for exports, the net duty impact on exports is nil.

BCD exemptions excluded for some items can be reinstated to help domestic manufacturing. Since India has a high potential to export Optical Fiber (OF)/Optical Fiber Cables (OFC), some items which were excluded from BCD exemptions could be reinstated in the list of exemptions. These include High-Density Polyethylene (HDPE) (code 39012000) and Water Blocking Tape (code 56030000). Further in October 2019 along with other related items, Anti-Dumping Duty (ADD) was imposed on Co-Polymer coated MS Tape/Stainless Steel Tape (code 72124000) which is a raw material

for manufacturing of OF/OFC. There is a need to consider withdrawing ADD from this item to help in manufacturing of OF/OFC.

BCD exemptions given to some items can also be withdrawn to help domestic manufacturing.

There are some finished goods where basic customs duty exemption is given like Data Cables (854449) as an ITA bound exemption (Customs Notification, 2005). This makes domestic manufacturers of data cables economically unviable. Similarly, in some Fiber to The Home (FTTH) components, India is now able to produce domestically but is facing competition from imports due to BCD exemptions given to them. So, for these items including Fiber Optic Cable Assembly (85447090), Fibre Optic Attenuator (85369090) and Fibre Optic Adapter (85389000), there is a need to consider withdrawing BCD exemptions to help domestic manufacturing. While the WTO bound duties of India in some of these items are 0, for some it is not and some are only partially covered under ITA1. There is a need to see if duties can be increased for some items. Infact, for some items like Fibre Optic Adapter, the Basic Customs Duty (Schedule) is 15%, but by Notification, it is 7.5%.

While the multilateral agreement of ITA 1 has adversely affected the electronics manufacturing industry, now with FTA with ASEAN countries, several items are being imported through ASEAN countries rather than China, in order to avail zero duties under FTAs. Once bitten twice shy. India should be particularly careful in giving free access to electronics goods if it wants 'Make in India' to be successful in this sector. So, in the FTA with ASEAN, there is a need to ensure that local value addition norms are adhered to, and that certificate of origin is a genuine document.

In the FTA with Japan and Korea, BCD on Optical Fibre/Optical Fibre Cable (code 90011000) and the optical element of Silica Preform (codes 70140020/700202090) (which are finished products) have been reduced to 1.8% and 0% respectively. This has affected India's domestic manufacturing of these items. Tariffs for these items need to be renegotiated. Further import duties on raw materials of optical fibre/optical fibre cable like HDPE (code 39012000), Co-Polymer Coated MS Tape/Stainless Steel tape (code 72124000) and Water Blocking tape (code 56030000) can be reduced by India in the case of these FTAs suo motu.

In the Electronics goods sector, there is also the issue of inverted duty structure. Besides the inverted duty created by ITA1 under which many finished goods items came under zero duty, at present, the FTAs are creating a new form of inverted duty. The finished goods such as washing machines, TVs, refrigerators, etc. are imported under Indo ASEAN FTA at low/zero duty, while its key inputs such as plastics and metals have 7.5% or 10% tariffs.

The Optical Fibre/Optical Fibre Cables industry which faces competition from global players of the USA, Japan, Korea, China and Europe and where heavy investment has been made suffers from inverted duty structure. This is because BCD on OF/OFC has fallen under FTA with Japan and Korea to 1.80% and 0% respectively. Further OFC is imported duty-free due to BCD exemptions. Thus, the inverted duty structure is affecting the competitiveness of this sector.

So, the basic principle of graded duties – high (20%) for finished goods, medium (10%) for intermediaries and low (0-5%) for raw materials – should be followed in this sector also.

Textiles, Clothing and Carpets

In the textiles sector, there are many specific duties which need to be converted to ad valorem tariffs to the extent possible.

In the case of apparels, most of the FTAs have not benefited the textile value chain of India much. While the preferential concessions to Bangladesh have resulted in a net increase in imports, the India-Japan CEPA, which should have led to an increase in India's exports of garments, has not seen the desired results yet.

India's import tariff on a majority of apparel items (chapter 61 & 62) at 25% is also relatively higher than the prevailing rates in many of the partner countries with which India has FTAs or proposes to have FTAs. So, there is scope for a gradual reduction of tariffs so that the industry can align to some of the proposed FTAs. **Therefore, preferential tariffs can be reduced to negotiate new FTAs/RTAs if not general tariffs.**

In the case of cotton textiles (yarns, fabrics and made-ups), agreements like the APTA, India ASEAN CECA, SAFTA, India-South Korea CEPA and India- Japan CEPA have not led to adverse impact on India's export of cotton textiles. However, India-South Korea CEPA needs to be renegotiated for some cotton yarn items. The Rules of Origin within SAFTA and with Bangladesh also needs to be reviewed so that garments made from Chinese fabrics do not enter into India duty-free. Anti-surge clauses also need to be incorporated in the SAFTA Agreement.

There are also some cases of inverted duty structure in the textiles and clothing sector. In the case of apparels, the inverted duty structure has been found in the case of the MMF value chain- as fiber rates are higher than fabric rates. This leads to complexity in the refund on input tax credit and blockage of working capital. However, recently in the GST council, a decision was taken to allow input tax credit at the MMF fabric stage and in the Budget 2020-21, Anti Dumping Duty was abolished on PTA, a basic raw material of the MMF segment. In the case of cotton textiles, there is an inverted duty structure in the India-South Korea CEPA as cotton yarns are placed in the Sensitive List / Exclusion List at a 4% tariff while fabrics and home textiles have zero tariffs.

In the case of Carpets, the issue is of the relatively higher tariffs in some of India's markets. The import duty on Handmade Carpets and other floor coverings under Chapter – 57 is very high in some of the markets of India. For example, in Brazil and Russia, it is 35%+VAT, in China 19% + VAT and in Turkey, it is 80%. There is a need to negotiate at bilateral levels and persuade these countries to reduce tariffs to the levels in European countries & the USA (5%).

Leather and Leather Products

The Existing MFN tariff in India for import of footwear is 25% which infact was increased from 10% to 20% in the Union Budget 2018-19 and was further increased from 20% to 25% with effect from Sept. 27, 2018. The GST rate is 5% for footwear with retail sale price upto Rs.1000 and 18% for other footwear. **However, the applied duty for top suppliers of footwear particularly from ASEAN is less due to duty concessions offered by India under different Trade Agreements (Table 5.3).**

Table 5.3 : India's Tariffs on Footwear Imports Under Different FTAs

Country	MFN (%)	Preferential Duty (%)
ASEAN (Indo – ASEAN FTA)	25	5 0 - for Footwear made on a base or platform of wood not having an inner sole or a protective metal toe-cap and not covering ankle – (HS Code 64039990)
(Philippines) (Indo – ASEAN FTA)	25	6 5 for Footwear made on a base or platform of wood not having an inner sole or a protective metal toe-cap and not covering ankle – (HS Code 64039990)
Nepal (SAFTA)	25	0
Bangladesh (Least Developed Country SAFTA)	25	0
China and Hong Kong (APTA)	25	20
Brazil (MERCOSUR)	25	20
European Union (No FTA at Present)	25	20

Source : CLE

These concessions under different FTAs have resulted in increased imports of cheap footwear with China and Vietnam having a share of around 72% of leather footwear imported into India during 2017-18. The average unit price of imported footwear is also much less when compared to the average unit price of footwear exported from India. **So, suitable Minimum Import Price (MIP) per pair needs to be fixed for footwear imported into India from FTAs to prevent dumping of cheap footwear along with reviewing tariff concessions.**

Tariffs can be lowered for some inputs needed for non-leather footwear. Since PU is the basic raw material used for making non-leather footwear and due to the absence of a manufacturing base, this material is imported, import duty exemption can be provided for import of PU/PVC/ PU Coated Fabrics to increase the price competitiveness of the domestic footwear industry. There can be general exemptions for some FTAs.

There are cases of disparity of tariff concessions by India's FTA partners to India compared to its competitors. Under India-Japan CEPA, Japan has agreed to eliminate tariffs for most of the items in Chapter 41 (finished leather) and leather goods (Chapter 42) by 2021 -22. However, in respect of footwear, the duty concessions are extended by Japan to India for some categories while some other categories have MFN tariffs ranging from 27% to 30%. On the other hand, Japan is providing more tariff concessions to competing countries like Vietnam and Thailand for footwear. India needs to negotiate with Japan to extend 0% tariff for all types of footwear exported from India (its FTA partner) under HS Codes 6401, 6402, 6403, 6404 and 6405 on reciprocal duty elimination by India.

Japan also has a high duty of 12.5% for certain sports gloves, 10% for fashion and industrial gloves and 12.5% for belts. While these goods are not covered for duty concession under Indo – Japan CEPA,

Vietnam enjoys benefits from Japan for these items (Table 5.4). So, there is scope to negotiate for 0% duty for gloves and belts.

Table 5.4: Japan's Tariff on India and Vietnam for some Sports Goods: A Comparison

HS Code	Product	Unit	MFN (Duty for India)	Duty for Vietnam
Gloves, mittens and mitts. Specially designed for use in sports.				
4203.21.210.1	In baseball	doz, kg	12.5%	10.90%
4203.21.290.4	Other	doz, kg	12.5%	10.90%
4203.29.200.4	Other	doz, kg	10%	8.7%
Belts and bandoleers:				
4203.30.200.3	Other	doz, kg	12.5%	10.90%

Note : Agreement with Vietnam is Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

Source: SGEPC and Japan's Customs: https://www.customs.go.jp/english/tariff/2020_1/index.htm

The exporters of leather goods (handbags, wallets, purses, etc.), leather garments, leather gloves and saddlery and harness items under Chapter 42 use textile fabrics as lining/interlining materials. Though the basic customs duty is only 15% for leather products under HS Code 4202 (travel goods, handbags, wallets, etc.) and 10% for leather garments, gloves and belts (4203) and other leather products (4205), the import duty on the inputs i.e. textile fabrics is higher at 25%. This is a case of inverted duty structure as textile fabrics which are used as inputs for making leather products under Chapter 42 have higher duties.

To promote domestic manufacturing and export of leather products under Chapter 42 and to avoid inverted duty structure, the basic customs duty on lining/interlining materials could be reduced to say 10%. Since the textiles and apparel sector has relatively high tariffs, this can also help in rationalizing tariffs in the textiles sector.

Engineering Goods

The Engineering goods sector is an important sector of India's exports and also in the 'Make in India' plan. This sector has been adversely affected by FTAs mainly with Japan, Korea and the ASEAN which are also India's competitors. Some examples of the adverse effects of FTAs on the Engineering sector are the following.

- Steel: 74% of the steel imports in India are from Japan and Korea at a much lower tariff under the FTAs affecting the domestic sector.
- Air conditioner: The AC machines are covered under the India-ASEAN FTA (5% preferential tariff) whereas the AC compressors are not covered (10% MFN). Hence, AC manufacturers from other East Asian countries set up their shops in ASEAN and import fully assembled AC machines under the preferential route to India rather than the compressors. This adversely impacts the industry in India.
- It is also a growing trend that many Chinese manufacturers are setting up shops in India's FTA partner countries and exporting products directly to India under the preferential route.

While FTA with ASEAN, South Korea and Japan are already being reviewed, there is a need to address the above issues. FTAs with ASEAN, Malaysia, Singapore and PTAs with Chile and MERCOSUR also need to be reviewed. The Government has also indicated now that all FTAs will be reviewed. **Under the FTAs, most of the engineering goods are imported duty-free while a few goods which belong to the negative/ sensitive list such as automotive, electrical machinery, products of iron and steel, etc. have a high duty. Lowering the duty of those products may have an adverse impact on domestic industries as imports will be cheaper. As to the PTAs with Chile and MERCOSUR, the scope of the agreements are quite shallow and they cover a very narrow range of products. These PTAs could be expanded and renegotiated.**

Indian manufacturers also face the problem of inverted duty in segments like ferroalloys, products of iron and steel, copper products, aluminium slug, castings, boilers and moulding machines.

So, tariff rationalization in this sector should be well planned. While the set pattern of tariff rationalization which does not cause inverted duties need to be followed, the challenges arising due to FTAs/RTAs also need to be taken note of.

Rubber Tyre Manufacturing

Though rubber tyre manufacturing industry has desired lower duties on NR, there are many livelihood concerns particularly when domestic NR prices have fallen drastically over the years and continue at a very low level. **However, there are a large number of other raw materials (used in the manufacture of tyres) where there is a shortage in the domestic sector. Besides some raw materials are not produced domestically at all. Tariffs for these items could possibly be reduced as indicated in Table 5.5.**

Table No 5. 5: Reducing Tariffs on Raw Materials used by Indian Rubber Industry: Justification

Raw Material	Existing Duty	Suggested / Proposed Duty	Reason for reduction in Customs Duty
Nylon Tyre Cord Fabric (NTCF) /(HSN 59021010)	20%	5%	W.e.f Oct. 2017, Customs Duty on NTCF was increased from 10% to 20%. There exists a Supply shortage for NTCF of > 50,000 MT/annum.
Poly Butadiene 10% 5% Rubber (PBR) / (HSN 4022000)	10%	5%	There exists only one single domestic manufacturer for PBR. Supply shortage for PBR > 70,000 MT/annum, leaving the Tyre Industry with no other option but to import.
Styrene Butadiene Rubber (SBR) / (HSN 400219001)	10%	5%	Domestic production is insufficient to meet domestic demand. There exists a huge demand supply gap.
Rubber Chemicals / (HSN 3812/3010/ 2934)	7.5%	2.5%	Domestic production is insufficient to meet domestic demand. There exists a huge demand supply gap.

Polyester Tyre Cord/ (HSN 5902 20 00)	5%	2.5%	Domestic production is insufficient to meet domestic demand. Big demand supply gap
Steel Tyre Cord 10% 5% (STC) / (HSN 73129000)	10%	5%	Tyre industry has invested substantial capital for Radialisation of Truck Tyres. STC is a key Raw Materials for radial tyres. Non availability of this Raw Material affects expansion plan of tyre industry on radial tyre.
Butyl Rubber / HSN 40023100)	10%	0%	No domestic production 100% need to be met through import.
EPDM / (HSN 40027000)	10%	0%	No domestic production 100% need to be met through import.

Source: ATMA

Low import tariffs (for tyres) in India have encouraged a large & growing volume of tyre imports into India, even though adequate domestic capacity already exists and investments have been made in new capacity creation. The Indian Tyre Industry has invested more than Rs 50,000 crore in recently completed and ongoing greenfield/brownfield projects to meet anticipated domestic demand and to cater to exports at the same time. **To arrest the increase in tyre imports, increasing the customs duty on tyres from existing rate of 10%/15%, to a higher rate of duty, say 40% can be considered.**

To help rubber products manufacturers, India raised tariffs on two major items viz., radial car tyres and truck/bus tyres from 10% to 15% in 2018. **To further help domestic rubber production, tariffs for rubber products falling under HS 40 with the present tariff of 10% can also be considered for increase to 15% as done in the case of car and truck/bus radial tyres. Since non-tyre rubber products are mainly manufactured by MSMEs there is further reason to increase the tariff to 15%. Minimum reference /benchmark price can also be fixed on all truck /bus (radial) tyre imports from China & Thailand to check dumping.**

While Preferential Tariffs for NR and rubber products needs a relook, raising tariffs of rubber products for FTAs can also help. In the case of trade agreements such as the Asia Pacific Trade Agreement (APTA), increasing import duty on rubber products would bring benefits as the tariff concession is on the prevailing tariffs. However, increasing import duty would not have any impact in India-ASEAN FTA as the tariff concession is on the base tariffs already fixed.

Indian Rubber Tyre manufacturing industry has been adversely affected by India's FTAs. Although the current MFN tariff (BCD) on tyres is 10% (15% for truck & bus radial Tyres and passenger car radial Tyres), the same under various trade agreements is even lower. A significant percentage of tyre Imports into India is from countries that are signatories to FTAs allowing tyre imports at a lower rate of duty. In other words, the effectively applied tariff on tyres is even lower (ranging between 'nil' to 12.9%) than the Basic Customs Duty on Tyres.

Low preferential import tariffs in India have encouraged a large & growing volume of tyre imports, despite adequate domestic capacity already in place & investments made in new capacity creation. This can be seen with the example of the ASEAN FTA which came into effect on 1st Jan 2010 (Table 5.6).

Table 5.6 : India's Tyre Trade with ASEAN

India's Tyre Trade with ASEAN	2009-10*	2018-19	CAGR%
Tyre Imports into India from ASEAN (US\$Mn)	29.62	183.55	22%
Tyre Imports from ASEAN as per cent of India's Total Tyre Imports	10%	43%	
India's Tyre Trade Balance with ASEAN (US\$Mn)	78.68	-3.42	

*ASEAN FTA came into effect on 1st Jan 2010: Source: ATMA

Thus, from a Tyre trade surplus of US\$ 78.68 Mn in 2009-10, India now faces a Tyre trade deficit of US\$ 3.42 Mn with ASEAN.

Since tariff concessions under APTA and India-ASEAN FTA have adversely affected the Indian rubber product manufacturing sector, especially units in the MSME sector, tariff concessions under these agreements may need a relook.

There is also the issue of inverted duty structure in this sector. While basic customs duty on tyres is 10% / 15%, under various trade agreements, it is lower than the basic rate of customs duty on its principal input i.e. natural rubber (Table 5.7).

Table 5.7: Customs Duty on Tyres vs. Natural Rubber under various FTAs

Item	Normal / Basic Rate of Duty in India	ASEAN FTA	Asia Pacific Trade Agreement (Bangkok Agreement)	Indo Sri Lanka	SAFTA	India Singapore	India Malaysia
Tyre	15% (TBR & PCR); 10%(Other)	5%	12.90% (TBR & PCR); 8.60% (Other)	Nil	5% / Nil*	Nil (Bias Tyre)	5%
NR	25% OR Rs.30/kg whichever is lower	Negative List (No Duty Concession)	20%	Negative List (No Duty Concession)	Negative List (No Duty Concession)	Negative List (No Duty Concession)	Negative List (No Duty Concession)

* Under SAFTA, there exists a 5% concessional Duty on Tyres when imported from Pakistan & Sri Lanka while imports from other SAFTA countries attract Nil Duty

TBR = Truck and Bus Radial. PCR = Passenger Car Radial

Tyre is perhaps the only finished product (vis-a-vis its basic RM) on which 'duty inversion' not only continues but has aggravated in recent years. Since reducing customs duty on NR will affect rubber cultivators in India having livelihood concerns, the alternative of raising tariffs on tyres particularly for FTAs can be thought of. In fact, the rubber products manufacturing sector has duty free entitlement for NR import under Advance Authorization (AA) against the export of finished products. Units in Special Economic Zones (SEZs) and 100% Export Oriented Units (EOUs) are also eligible to import NR on duty-free basis. Duty-free import of NR in 2018-19 was 173,175 tonnes. Thus, rubber product exporters will not be affected due to tariffs on NR. On the other hand, raising duty on tyres will help the sector solve its problem of inverted duty structure.

Chemicals

There are some items with MFN tariffs above 10% in this sector. In the Union Budget 2018-19 presented in Feb 2018, the Basic Customs Duty on certain items imported under chapter 33 was increased from 10 % to 20% basically to protect the domestic industry. The items having import duty of 10% and above in chemicals are mainly the items from chapter 33 (cosmetics) (Table 5.8).

Table 5.8: Chemicals Sector Items with Tariff of 10% and above

Tariffs Range	HS Code (6HS)	Description	MFN Tariffs	Number of Tariff Lines	Imports (US\$ mn)
20	330300	Perfumes and toilet waters	20	7	115.7
	330410	Lip make-up preparations	20	1	38.7
	330420	Eye make-up preparations	20	1	32.7
	330430	Manicure or pedicure preparations	20	1	0.8
	330491	Powders, whether or not compressed	20	3	18.0
	330510	Shampoos	20	2	26.8
	330530	Hair lacquers	20	1	0.5
	330610	Dentifrices	20	3	11.0
	330620	Yarn used to clean between the teeth (Dental floss)	20	1	1.1
	330710	Pre-shave, shaving or aftershave preparations	20	2	3.1
	330720	Personal deodorants and anti-perspirants	20	1	24.6
	330730	Perfumed bath salts and other bath preparations	20	2	3.5

Source : Based on inputs from Chemexcil

Many of these items are being imported from FTA partners (Korea, Malaysia, ASEAN, besides Nepal and SAFTA) under preferential duty ranging from 17% to 0%. So, tariff reduction to the average effective duty level is not likely to have much of an adverse effect on these items.

Sports Goods

Indian sports goods and toys sector is dependent on imports of a variety of components. These items attract high tariffs. The customs duty on raw materials used by this sector needs to be reduced. In the Budget 2020-21, to help the sports goods sector, willow has been included in the list of items allowed duty-free imports up to 3% of f.o.b. value of sports goods exported in the preceding year.

In most of the FTAs, although India has included Chapter 95 in its list of items, the partner countries have either excluded the same or kept it in the EL category. So, there is a need to include chapter 95 in the partner countries list. Most of the ASEAN nations have kept chapter 95

under Sensitive List. Bangladesh has Toys (9503) under the EL category with import duty of 91.37%. Cambodia, Thailand and Sri Lanka also have HS code 9503 in EL category and the Philippines has code 9506 in the EL category. So, India should negotiate for the inclusion of sports goods items in its FTAs and give tariff concessions on a reciprocal basis.

There are also some items having an inverted duty structure like Cane used to manufacture cricket bat handles having customs duty of 30% while cricket bats have a customs duty of 10%. Similarly, fabric and filling fibers (Chapter 60) used in manufacturing soft toys have a customs duty of 25% while soft toys have a duty of 10%. These need to be addressed.

Shipping

Though shipping is a service, there is one main tariff-related issue of import of shipping vessels. Certain types of shipping vessels are subject to the imposition of customs duty, as well as a surcharge (Table 5.9). This includes Anchor Handling Tug-cum-Supply Vessels, Multipurpose Platform Supply & Support Vessels, Fire Fighting-cum-Safety Vessels, Well Stimulation Vessels, Jack-up Rigs, Production Platforms, and Floating Production, Storage and Offloading Unit Drillships.

Table 5.9 : Tariff on Import of Different Types of Ships

S No	Types of vessels	HSN Code	Customs duty (%)	Surcharge (%)	IGST (%)	Total duty (%)
1	Tugs and Pusher Craft	89040000	10	10	5	16.6
2	Other Light Vessels	89059090	10	10	5	16.6
3	Floating or Submersible Drilling or Production platform	89052000	10	10	5	16.6

Source: INSA & CUSTADA

A foreign maritime services provider has no commensurate liabilities, and can hence provide similar services at much more competitive rates. Apart from this, various duties, taxes and surcharges are levied on an Indian shipping provider for use of any input goods and input services. The input services for the maritime service sector are zero-rated in most countries worldwide. This makes foreign shipping vessels more competitive, because of the lower costs for their operations.

Besides the Tariff levied on ships imported, tax is also levied on input goods like IFO, Lubes, Paints, Spares and also on input services. Even a 5-10% tariff will have a large impact on this capital-intensive sector. Meanwhile, foreign shipping services are not taxed on any comparable parameter, thereby giving them a comparative advantage.

In fact, a type of inverted duty structure has emerged in the shipping sector as shipping services have no tariffs but the import of all other inputs of goods and services like ships, fuel oil, ship spare, insurance, etc. attract import duties, effectively incentivizing imports of shipping services rather than facilitating/setting up and expanding the use of Indian shipping services. This anomaly needs to be addressed if India desires to have strong domestic shipping.

5.1.3 Rationalization of Tariffs : A Sum Up

Thus, the sector-specific analysis indicates that there are cases where tariffs can be increased and cases where it can be decreased. There are also many FTA related issues, while inverted duty structure issues have become less, though some remain or have cropped up. Any tariff rationalization policy should carefully examine these sector- specific issues also before arriving at general policy measures.

5.2 India entering into New FTAs : Sectoral Impact

The second issue to be examined here is the need to enter into new FTAs from the point of view of different sectors. While ongoing negotiations are taking place to conclude new FTAs or expand existing ones, the two recent and important RTAs/FTAs being discussed are the RCEP and Indo-US FTA.

5.2.1 RCEP

The RCEP is an ambitious proposal which intends to bring in the three largest economies of Asia- China, India and Japan into a regional trading bloc, along with ASEAN member-countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam) and 3 Asia Pacific countries viz, Australia, South Korea and New Zealand. While India joining the RCEP has been put on hold for the present, one cannot rule out pressure building up again to join the RCEP. India needs to weigh the options carefully, lest it gets into a catch-22 situation. The views of stakeholders would be very important in decision making. The views of different stakeholders in India from the tariff point of view are given below.

5.2.1.1 Agricultural Sector

Plantations

Natural rubber and products

ASEAN accounts for 79% of NR production, 15% of NR consumption, 89% of NR exports and 14% of NR imports. RCEP together accounts for 90% of NR production, 72% of NR consumption, 89% of NR exports and 69% of NR imports. In the case of NR, already India has been affected due to imports of NR and tariff concessions in some FTAs despite NR being kept in the exclusion list under India-ASEAN CECA. Even without concessions, ASEAN countries which are also a part of RCEP are the major exporters of rubber to India. **Since RCEP region accounts for 90% of NR production, any tariff concession to RCEP would be detrimental to the interests of NR growers in India.**

In the case of rubber products, China and South Korea already get tariff concessions for rubber products through APTA. Indian rubber products industry has been complaining of dumping of rubber products by China along with a high level of subsidization and DGTR has already imposed an antidumping duty on tyres imported from China. Non-tyre products are mainly manufactured by MSMEs and these units were adversely impacted by the import of cheaper products with tariff

concessions under trade agreements. The number of rubber products manufacturing units declined from the highest of around 5,800 units to around 3,845 units. Consumption of NR in non-tyre sector, which is a general indicator of rubber-based industrialization, had been stagnant for a long time. It was 3.33 lakh tonne in 2001-02 and was 3.39 lakh tonne in 2017-18. Though China is a part of APTA, under RCEP it will enter the Indian market in a big way. **Hence if tariff concessions are to be offered for rubber products to RCEP countries it needs to be fixed at the levels of concessions already offered under APTA.**

Tea

China is the largest producer and India the second largest producer of Tea. India mostly produces and exports black tea whereas China produces and exports mostly green tea. Among the members of the proposed RCEP, major markets for China are Japan, Malaysia and Singapore whereas for India it is Japan, Australia and Indonesia. India's export to China of tea is also growing rapidly while Chinese exports to India is negligible. Studies show that in recent times there is an increasing trend to consume black tea in China, which is basically a consumer of green tea.

The import duty structure of India for tea is 100% ad valorem on tea falling under heading 0902. The import duty of China is 15% (from countries with MFN status) with a further concession of 50% for imports from APTA member countries and VAT is 17%.

Since China mostly produces and exports green tea and India mostly produces and exports black tea, tariff reduction through RCEP should not pose a major threat to the Indian tea industry.

There is also the view that the major threat under RCEP is China, which is one of the largest producers of Tea. China's ability to produce to the needs of the export market in a short time is a big threat to the Indian tea sector. Though China is the largest green tea producer in the world it also produces black CTC tea for the export market and with duty and logistical advantage they can target the Indian market. Moreover, there is the fear that the Rules of Origin (RoO) criteria will be taken advantage of, to route tea through any of the ASEAN countries who have a duty advantage, vis-à-vis China.

The important question is, if India joins RCEP, whether China will be able to get Indian market access at 45% tariff as applicable for the ASEAN countries as per AIFTA and whether India will be able to get Chinese market access at 0 tariffs to China as per existing ACFTA or whether any other duty structure will evolve for all RCEP participating countries?

In the case of the other RCEP countries, particularly countries from ASEAN, the cost of production of tea in India is far greater than the cost of production of tea in ASEAN tea-growing countries viz Indonesia and Vietnam. **Despite the low cost of production and tariff being reduced for the ASEAN countries, no substantial imports to India from these countries has been noticed in recent times.**

Coffee

As there are some coffee-growing countries like Vietnam and Indonesia in this agreement,

there is a high possibility of cheaper coffee from these countries being brought to India. This will either end up being used in the domestic market or getting mixed with Indian coffee and exported as Indian coffee resulting in a big discount of Indian coffee prices. Indian Robusta which commands a premium in the international market may lose its position resulting in much lower realization and hence much lower returns to the grower. With cheaper imported coffee for domestic use, the lower grades of Indian coffee may remain unsold resulting in a disastrous price situation for Indian coffee growers already in trouble due to low prices.

Pepper

Already pepper is affected by existing FTAs. RCEP will further aggravate the situation and lead to further dumping affecting local farmers and impacting domestic cultivation and industry. This also has livelihood concerns. Due to multiple trade agreements - bilateral with Sri Lanka and multilateral with SAARC (SAFTA) & ASEAN, pepper imports have increased and pepper prices have crashed. Imports are mainly from Sri Lanka, Vietnam and Indonesia. **Any further duty concessions under RCEP will be detrimental to this already battered sector.**

Plantations : A Sum Up

While there may be compulsive reasons for the Government to go in for trade agreements with other nations/regions, the interests of the domestic plantation industry should be taken care of, especially when a large number of people are dependent on this sector.

RCEP if implemented will affect farmers as it could include free trade or tariff concessions for plantation crops like arecanut, pepper, rubber, coffee, tea, cashew, etc. It will also affect the livelihood of people dependent on this labour-intensive sector.

5.2.1.2 Non-Agricultural Sector

Electronics sector

At present India is a part of a limited PTA with China (APTA). Becoming a member of RCEP implies that India will be part of an FTA with China. India's 15 years of experience with ITA 1 shows that India is not cost competitive in comparison to China, despite several efforts by the Industry and Government. **India does not have a level playing field and India will not be able to compete at zero-import duty. China with its satellite nations will ring-fence the value addition under the clause in RCEP that permits cumulation of value addition. So for the semiconductor sector, India joining the RCEP is not advisable.**

Textiles and Clothing

There are many textile manufacturing countries in RCEP including China. RCEP requires India to lower import duties on various items. The domestic manufacture of these items would have been hurt due to the anticipated dumping of Chinese items into India. Cotton Fabrics would have also entered into India in large quantities. **So, the apparels sector had reacted very cautiously to the RCEP.**

Adequate safeguard in terms of surge clauses, staging of tariff reductions and Rules of Origin need to be carefully worked out, in case India has compelling reasons to join the RCEP.

Leather and Leather Products

Leather and Leather Products may benefit due to RCEP. During 2018-19, India's total export of leather, leather products and footwear was US\$ 5691 million and around 11% of this (US\$ 627.31 million) was directed to RCEP countries. Finished leather forms about 53% of exports to RCEP countries, but there is scope to export leather footwear, leather goods like handbags, wallets/purses, leather garments, leather gloves and footwear components also to these countries.

In the case of hides, skins and leathers (Chapter 41) 0% tariff for export of finished leather (HS Codes 4107, 4112, 4113, 4114 and 4115) can be sought in RCEP countries on a reciprocal basis by India.

In the case of saddlery and harness (HS Code 4201) since there is no huge market for India for saddlery and harness items but there are export prospects, immediate 0% duty may be considered under RCEP, if 0% duty is also applied by RCEP countries on a reciprocal basis.

In the case of travel goods, leather handbags, wallets, belts, gloves (4202, 4203) duty reduction in 10 years may be considered for ASEAN and other RCEP countries except for China, if reciprocal duty reduction is provided for India. For China this may be placed in the Exclusion list. However, since leather garments (4203) does not have a huge market in India, an immediate 0% duty can also be provided for all RCEP countries if reciprocal duty reduction is provided for India.

In the case of other leather goods (4205), duty reduction in 10 years can be considered for ASEAN and other RCEP Countries except for China, if reciprocal duty reduction is given for India. For China this may be kept under the Exclusion list.

In the case of footwear (Chapter 64), considering export interest, except for China and ASEAN countries, footwear can be considered for immediate 0% duty for other RCEP countries.

In the case of footwear components (6406), immediate 0% duty can be considered by India for these items, on a reciprocal basis.

Engineering Goods

During the inception of the RCEP negotiations, engineering Industry had cautioned about the threat of having China in the agreement. **A differential tariff structure under RCEP for China is needed with minimal tariff liberalization for China, in case of any future negotiations on RCEP by India.**

Sports goods

RCEP is not likely to provide any advantage to India for sports goods. As India already has FTAs with many countries in this region, **India is not likely to gain much from RCEP, instead, it may lose.**

Rubber Tyre Manufacturing

Tyre imports from RCEP countries to India account for 75% – 80% share of the total tyre imports into India. Any further concessions provided to tyre imports from RCEP countries into India will severely injure the domestic tyre industry. **So, in case of any further negotiations on RCEP, rubber products should not be considered for any concessions and placed under the Exclusion List.**

5.2.1.3 RCEP : A Sum Up

The reception by stakeholders for RCEP has been rather cold except for the leather and leather products sector. Thus, it may not be advisable for India to join RCEP. Even if it joins RCEP, it should have a separate dispensation for China with minimal offers and sensitive items should be in a negative list.

5.2.2 India-US FTA

At present, there is a lot of interest and talk on a possible India-US FTA. USA has in a way already cleared the decks by withdrawing GSP benefits to India making India negotiate on what was earlier granted. While India can negotiate separately on GSP, US may likely make it a part of the proposed India-US FTA. The views of the different stakeholders are given below.

5.2.2.1 Agricultural Sector

Natural Rubber

NR sector will not be adversely affected by FTA with the US as the US is not a producer of NR and the export of NR to the US from India is marginal. The US is the major destination of Indian rubber products. Hence any tariff concessions under Indo-US FTA will help Indian rubber products manufacturing sector.

Cashew

India-US FTA can help the Cashew sector as Cashew Kernels being a healthy food can qualify for duty concessions in the US.

Other Agricultural Items

Some sensitive agricultural items are dairy and related products that affect the Indian farmers. The agricultural sector is highly subsidized in the US. The US provided \$22.2 billion direct and indirect subsidies to the US dairy sector in 2015 (Newswire 2018). Thus, US dairy producers received a subsidy of approximately \$35.02/hectoliter– the equivalent of 73% of the farmers' market place revenue. Thus, it is a non-level playing field. So, these items, need to be kept under the negative list in the proposed India-US FTA.

5.2.2.2 Non-Agricultural Sector

Engineering goods

Unlike other FTAs where agricultural items are sensitive items, in the case of Indo-US FTA, engineering goods could be sensitive items. In fact, the Indo-US trade conflict in 2018 started due to engineering goods with US levying/increasing tariffs on steel and aluminum products. India's retaliatory tariffs on the US also include many iron & steel items. Given the sensitivity of US-India relations, negotiating an FTA without proper caution may lead to unwarranted fall in tariffs in some items resulting in higher imports of the items presently manufactured in India. **So, a careful examination of the items is needed before going ahead with any negotiations from the point of view of the engineering sector.**

Textiles and Apparels

The USA being the largest single destination for exports for garments, the garments industry has been seeking an FTA with the USA. It will surely give India some competitive advantage over Vietnam and Bangladesh - one with already some preferential access to the USA and the other, a major competitor in this market. The cost differential with Bangladesh is around 20%. A preferential agreement that dilutes this cost differential substantially, will have a positive impact. **Thus, India may benefit in this important sector due to Indo-US FTA which possibly even the abolition of the Multi-Fibre Agreement could not do.**

Electronics

Indo-US FTA with zero to low duties for India's OF/OFC sector by the USA would help India's optical fibre sector as at present, the US has withdrawn GSP benefits to optical fibre/optical fibre cable (code 9601100) and structured data cable (code 85447090). USA has a domestic demand of approximately 55-60 million Fkm of OFC per year. Out of this, approximately 4-5% of optical fiber (the main element to manufacture OFC) is supplied by India. This also doesn't pose any threat to US domestic manufacturing. Moreover, India imports raw materials required to manufacture OF/OFC from the USA besides Europe.

However, for some other segments like Consumer Electronics, FTA with the USA may not be a good idea as India may stop becoming a manufacturing centre for these items.

So, there is a need for caution while giving India's offers to the USA and India should not commit the same mistake done in the case of ITA1 where zero duty was given in many items that did not allow the semiconductor sector to grow in India.

Leather and Leather Products

The USA accounts for 15.7% of the total export of leather, leather products and footwear from India and is now India's largest market. However, India's market share in the USA is only about 2.62%. The

USA is not a major producer of finished leather products and footwear. There is no threat of dumping of value-added products into India from the USA. **So for this sector, a Free Trade Agreement with the USA will help in significantly enhancing India's market share in the USA.**

Sports goods

The USA is a major consumer and is the biggest importer of sports goods. With the withdrawal of the GSP benefit, India needs to have some sort of an agreement with the US so that India is at least on par with its major competitors for the sector. **So, India-US FTA is needed for this sector.**

Gems and Jewellery

If reciprocal duty exemptions are granted on import of gems & jewellery related raw materials and machinery from the US to India and export of finished jewellery from India to the US, there is scope for substantially increasing India's exports of gems & jewellery to the US. **Thus India-US FTA can be beneficial for this sector.**

5.2.2.3 India-US FTA : A Sum Up

Thus, in terms of tariffs, except the Engineering goods sector which is a heavyweight sector, some segments of the Electronics sector and some sensitive agricultural items like dairy and related products, most of the sectors are positive about India-US FTA. However, broader consultation with stakeholders in India is needed before finalizing the FTA with the USA. Some of the sticky issues are the restoration of GSP benefits to India and the issue of reinstating India to the developing country list on the US side. On the Indian side, the sticky issues are lowering import duties on high-end motorbikes like Harley Davidson motorbike, dismantling retaliatory tariffs on US items like almonds, walnuts and pulses and giving market access to dairy and related products. Tariff on iron & steel and related engineering goods appear on both sides of the negotiating table. Besides issues other than tariffs will also come up like Intellectual Property (IP), Rules of Origin, Dispute Settlement Mechanism, Social and Environmental Compliances, etc.

5.2.3 Forming other FTAs or Renegotiating old FTAs

Some other FTAs suggested by different stakeholders are given below.

5.2.3.1 Agricultural Sector

Coffee :

In the case of coffee, tariff asymmetry is affecting the export potential of coffee in major/potential markets. India's FTA partner countries like South Korea, the Philippines (ASEAN), China (APTA) have extended more concessions to other countries. This implies that they can also give better concessions to India. Table 5.10 gives these details and the actions to be taken.

Table: 5.10: Tariff Asymmetry for Coffee in Major markets

Sl. No.	Country	Applied Import tariff			Issue & Action to be taken
		Green Coffee HS 0901 11	Roasted coffee HS 0901 21	Instant Coffee HS 2101 11	
India's FTA Partners					
1	Japan	0%	12% GSP rate 10%	MFN 8.8% FTA- 2.4%	Japan's tariffs for Instant coffee under different FTAs for Mexico, Thailand, Philippines, Malaysia, Vietnam and Indonesia are kept at 0%. Hence, India can negotiate for a similar concession of 0% for Instant coffee HS 210111. In the case of Roast & Ground (R&G) coffee, the tariff for Mexico, Philippines and Peru is 0%. India can negotiate for a similar concession of 0% for India's R&G Coffee Exports.
2	South Korea	MFN-2%. ASIA-Pacific Trade Agreement - 1.20%	8%	8%	South Korea kept import duty for green coffee at 1.20% under ASIA-Pacific Trade Agreement. Since South Korea is not a producing country and other major importing countries have 0% of import duty on all forms of coffee. India can negotiate for concession for all forms of coffee (HS 090111, 090121, 210111) at 0%.
3	China	8%, FTA Tariff for ASEAN countries is 0% For Costa Rica-2.4%	15% FTA Tariff for Costa Rica- 4.50%	17% FTA Tariff for Costa Rica and ASEAN countries-0%	China is not levying any tariff on green coffee and soluble coffee imports from ASEAN Countries except India under FTAs, India can negotiate for similar concession at 0% for India's Green Coffee and Soluble coffee (HS 090111 and HS 210111) exports to China.
4	Philippines	40% ASEAN-(India) Tariff-30% (by 2019)	40%	45%	Under ASEAN-China Free Trade, import duty is 0% on all forms of coffee (HS 090111, 090121, 210111) for China and for Japan, import duty is at 0% for instant coffee HS 210111. India can also negotiate for duty concession for HS 090111, HS 090121 and 210111 at the rate of 0% similar to China and Japan
Other Major Markets					
1	European Union countries	0%	7.5% GSP rate 2.6%	9% GSP rate 3.15%	The European Union is not levying any tariff on the R&G coffee and soluble coffee imports from Colombia, Peru, Mexico, Papua New Guinea under different FTAs. India can negotiate for similar concessions at 0% for India's R&G and Soluble Coffee (HS 090121 and HS 210111) exports to the European Union.

2	Russia	0%	10% GSP rate 7.5%	10% GSP rate 7.5%	In Russia, the duty on instant coffee and value added coffees (HS 090121 and HS 210111) are aligned to the Gross weight of the product (including the weight of the packaging materials), India needs to negotiate for levy of the duty on a net weight basis. Russian side stated in the protocol of 21st Session of Russia-India Working Group on trade and economic cooperation that 'such a procedure is applied to all the products imported to Russian market and is designed to stimulate 'processing and packaging in Russia'. Further, when the subject was reiterated by the Indian side, the Russian side mentioned in the protocol of 22nd Session of Russia-India Working Group on Trade and Economic Cooperation that the issue falls in the jurisdiction of Eurasian Economic Union. India is promoting the export of value-added coffees as 'India Brand' and if the gross weight is considered for levy of duty, then it is a deterrent for our exporters. In order to make the Indian coffee competitive in the Russian market, India needs to request the Russian side to levy import duty on Instant Coffee and Roasted Coffee on a net weight basis i.e. excluding the weight of packaging material.
3	Turkey	MFN-13%	MFN-13%	MFN-9% GSP -3.10%	Turkey applies a 13% MFN duty for India for green & R&G coffee. However, for the European Union the duty rate is 11% and for Malaysia and South Korea it is 0% on green coffee and R&G coffee. India may negotiate for similar concessions for Indian green coffee and R&G coffee exports to Turkey. In the case of Instant coffee, the MFN tariff is 9% with GSP rate of 3.10% which applies to India while for the European Union, Malaysia and South Korea it is 0%. India may negotiate for a similar concession of 0% for India's Instant coffee exports which may further boost Indian instant coffee exports to Turkey.

Source: Coffee Board.

The above table shows that even the countries with which India has FTAs are giving higher concessions to other countries in coffee. This needs to be negotiated during the Review of FTAs and bilateral meetings.

Cashew

New FTA with Australia, Korea, Russia and China with zero duty for cashew kernels would be beneficial for this sector.

Rice

There is a need to renegotiate India-Sri Lanka FTA since India has a stake in the export of Rice to Sri Lanka and not vice versa.

5.2.3.2 Non-Agricultural Sector

Textiles And Clothing

Most of the present FTAs have not benefitted the apparels sector much, as these have not been apparel centric markets.

European Union and Vietnam have signed a long-awaited free trade deal that will slash duties on almost all goods. This will give India a duty disadvantage of 9.6% in the EU market as compared to Vietnam. India already has a duty disadvantage with competitors like Bangladesh, Pakistan, Cambodia & Sri Lanka. Therefore, FTA with the EU can help the textiles and clothing sector. **If India is included in the GSP+ category by EU till an FTA is concluded, it can help India. A CECA/CEPA agreement with Australia and Canada can also help India's garments sector.** The estimated additional exports from FTAs with the EU, Canada and Australia are estimated at \$10.3 billion for three years (Table 5.11).

Table 5.11: Additional Garments Exports from proposed FTAs with the EU, Canada and Australia

	EU	Canada	Australia	All 3 Proposed FTAs
Share in India's Garment Exports in 2018-19 (%)	38	1.5	1.2	
Tariffs for India (%)				
Import Tariff	12	17.5	5	
GSP benefits	20	0	0	
Net Import duty	9.6	17.5	5	
Estimated Additional Exports (\$ mn)				
First year	1900	71	60	2031
Three years	9600	370	300	10270

Source: AEPC

In the case of textiles, a 'zero for zero' tariff can be negotiated with the EU. Although China is under the APTA agreement, it would be worthwhile to pursue with China to increase its margin of preference for select yarns & fabrics imports from India so that India can gain further market access.

Leather and Leather Products

The European Union is India's largest market with a 54% share in total exports of finished leather, leather products and footwear from India. European Union has extended GSP facility for finished leather, leather products and footwear exported from India. But GSP is not zero for all items (Table 5.12). However, India's market share in the EU is only about 4% (Table 5.12).

Hence, an early conclusion of a free trade agreement with the European Union with zero duty facility for finished leather, leather products and footwear can help in India's exports of this sector.

Table 5.12: Import tariff in European Union for India's Leather products, Footwear and Finished Leather: Non-Zero GSP items.

Tariff No.	Product description	GSP Rate (%)	MFN Duty (%)
Leather and Leather Products			
4203	Articles of apparel and clothing accessories, of leather or composition leather		
4203 21	Specially designed for use in sports	5.50	9.0
4203 29	Other Gloves		
4203 29 10	Protective for all trades	5.50	9.0
4203 29 90	Other	3.50	7.0
4203 30	Belts and bandoliers		
4203 30 00 10	Hand-made	1.50	5.0
4203 30 00 90	Other	1.50	5.0
Footwear			
6401	Waterproof Footwear with Outer Soles and Uppers of Rubber or Plastics, the Uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes	11.9	17
6402	Other Footwear with Outer Soles and Uppers of Rubber or Plastics	11.9	16.8- 17
6403	Footwear with Outer Soles of Rubber, Plastics, Leather or Composition Leather and Uppers of Leather	4.5	5-8
6404	Footwear with Outer Soles of Rubber, Plastics, Leather or Composition Leather and Uppers of Textile Materials	11.9	16.9 - 17
6405	Other Footwear	0- 3.5	3.5 - 17
Finished Leather			
4107	Bovine finished leather	6.5	3.0
4107	Bovine finished leather under 4107129100 , 41079210000	5.5	2.0
4112	Finished Leather of Sheep and Lamb	3.5	0
4113	Finished Leather of Other Animals	2.0	0
4113.10.00.00.0	Finished Leather of Goat	3.5	0
4114	Chamois, Combination Chamois, Patent, Patent Laminated and Metallized Leather	2.5	0
4115	Composition Leather	2.5	0

Source: Council of Leather Exports

Engineering Goods

India can have FTAs with African countries, Eurasia, GCC countries and Latin American countries other than MERCOSUR and Chile (with which India already has FTAs/RTAs) as there are significant untapped opportunities. FTAs with these countries can help India's engineering exports.

Electronics sector

From the tariff angle, the import duty of most components for electronic manufacturing is already Zero. **Electronic items should be excluded in all FTAs till India becomes competitive in these items.**

In fact for Electronics items, tariffs in some of our markets are not low. For example, in South Africa, import duty for OF/OFC from India is 15%, whereas for imports from the EU it is zero duties. This needs to be addressed in bilateral negotiations or in case of having an FTA with South Africa.

Sports goods

FTA with the LAC region has huge potential for sports goods exports. Currently, India is a member of the MERCOSUR, but chapter 95 is not included for tariff concessions by any of the partner countries. **So, sports goods could be included in re-negotiations with MERCOSUR.**

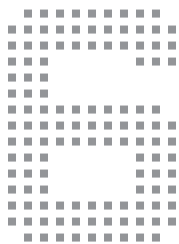
5.2.3.3 Other FTAs: A Sum Up

The above analysis clearly shows the higher concessions given by India's FTA partners like Japan, South Korea, China and the Philippines to other countries compared to India for coffee. Other markets like the EU, Russia and Turkey also give higher concessions to other competitors of India. There is scope to negotiate with these countries, though political factors will also be important as in the case of Turkey. In the case of other plantations and agricultural items, it is not desirable to go for new FTAs as India has many restrictions on land usage which other countries do not have. Unless there is parity concerning rules and regulations, it is not advisable to go in for new FTAs. Plantation commodities should not be included in future FTAs and wherever included in present FTAs, there is a need for renegotiations in many areas.

In the Non-Agricultural sector, the views are varied. While FTA with the EU, Canada and Australia seem beneficial for textiles and clothing sector, an early conclusion of FTA with the EU would be beneficial for the leather & footwear sector. While FTAs with African countries, GCC countries, Eurasia and Latin American countries could help engineering sector, FTAs are unlikely to benefit the electronics sector.

5.3 Conclusion

Thus, the sector-specific analysis of tariffs shows the varied nature of interests and issues in different sectors. Some sectors/items need higher tariffs and some lower. In some sectors, inverted duties continue. The experiences of FTAs, sector-wise is also varied. While most of the stakeholders have reservations regarding RCEP, many are positive about Indo-US FTA. The different stakeholders have also suggested many new FTAs. Since the interests are varied, the options should be weighed carefully before arriving at any holistic view.



India's Tariff Reforms: Issues and Policy Suggestions

The analysis of the earlier sections on India's Tariffs, both General and Preferential and also by sectors throws open many policy areas and issues on the tariff front. In this chapter the important issues are examined and policy suggestions are given. These issues and suggestions are related to India's tariff structure and rationalization in general including the level of tariffs, inverted duty structure, non-ad valorem tariffs and multiple tariff rates; rationalization of preferential tariffs; rationalization of tariffs in the light of 'Make in India' and Export Promotion Schemes; tariff policies and strategies for multilateral & bilateral negotiations; tariff-related policies to move up the stages of processing and greater participation in global value chains; policies in the context of recent trade wars and tariff escalations including US withdrawal of GSP from India; a mechanism for regular monitoring of tariffs; and timelines for tariff reforms

6.1 Issues and Policies Related to India's Tariff Structure and Rationalization

Tariff rationalization while aiming at greater liberalization and exports needs to rectify any anomalies in the tariff structure keeping in mind domestic concerns as well. Some major issues/areas in this regard are the following.

- a. Level of Tariffs, both BCD and Total.
- b. Inverted Duty Structure.
- c. Prevalence of non-ad valorem (NAV) tariffs.
- d. Multiple Tariff Rates.

These issues are examined below.

6.1.1 Level of Tariffs

India's tariff liberalization policy started particularly since the 1991 Economic Reforms. As a result, India's peak rate of tariffs started falling and at present is at 10%. Simple average MFN applied tariffs have also been falling except recently in 2018 when there is a rise which may be due to some protectionist measures in line with other countries and to some extent, a data issue as TRAINS based WITS data does not indicate any increase.

India's simple average applied MFN tariffs (as per WTO and WTO based WITS data) at 17.1% in 2018 is the fifth highest in the world and higher than that of comparable trading partners of India. Even if the 2017 figures are taken, India's simple average applied MFN tariff is seventh highest, though its weighted average applied MFN tariff is 48th highest. Even if TRAINS based WITS data is taken simple average applied MFN tariffs at 13.5% for 2018 is high by any standards.

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Thus, whichever database is taken, India's simple average MFN applied tariffs is not below 10% in 2018 for total items and non-agricultural items and not below 30% for agricultural items. Thus, in the first instance, India's tariffs seem to be relatively higher than many other countries including the ASEAN countries, though Korea has relatively high simple average tariffs (total) due to its high tariffs on the agricultural sector.

This, however, is not the real picture as around 68% of the tariff lines covering around 86% imports in the non-agricultural sector has less than 10% MFN applied tariffs. In the non-agricultural sector, import values and tariff lines are more concentrated in the lower end of the tariff range, while in the case of agricultural items they are more concentrated in the higher end of the tariff range.

Moreover, India's weighted average MFN applied tariffs are lower for total items and non-agricultural items, though ASEAN countries have still lower tariffs. There are also variations in the figures taken from different sources. **The lower average weighted MFN tariffs compared to simple average MFN tariffs, particularly for the non-agricultural sector indicates that India's imports of high tariff items are lower which could also imply that high tariffs could have led to lower imports of such items.**

India's total import duties including BCD, IGST and SWS is double or more than double the BCD in most of the non-agricultural items. While there is no refund or input credit for SWS, in the case of IGST, though Input Tax Credit (ITC) is available, there is the drill of paying IGST first and then claiming input credit later. Besides for some final consumption goods, there is the problem of claiming ITC.

Effective tariffs taking into account India's preferential tariffs to different countries is much lower with simple average effective tariffs at 8.7% and weighted average effective tariffs at 4.9% in 2018 (as per TRAINS data). This shows that India's import tariffs are not as high as it is believed to be. If this is the case, there is also a need for India to dispel the belief that India is a high tariff country by highlighting the facts and wherever possible rationalizing MFN tariffs closer to effective tariff levels.

Realized tariff goes one step further. Though not strictly comparable to other tariff terminologies, realized tariff (Basic) which is based on customs revenue collection was very low at 3.2% in 2018, further reinforcing the fact that India's tariffs are not as high as they appear to be. The different tariff concessions by the Government including preferential tariff concessions are all captured in the realized tariffs. A similar indicator giving realized tariffs for the US is 1.6% in 2018. Thus, India's realized tariffs are not that high compared to that of the US. However, the US realized tariff is only slightly lower than its average MFN tariff unlike India's, which is much higher.

Some studies state that India's tariff policy is focusing more on revenue collection. This is wrong if we see the realized duties where a lot of revenue is forgone in the form of exemptions. The revenue foregone due to various exemptions gets reflected in the realized tariffs (Table 6.1). The revenue impact of unconditional exemptions is Rs. 1,29,622 crore in 2018-19 and estimated at Rs. 1,22,737 crore in 2019-20. Of this, FTAs/ CECAs, etc. account for Rs. 48,793 crore in 2018-19 which is estimated to increase to Rs 65,734 crore in 2019-20.

Table 6.1: Customs Revenue Forgone due to Conditional/Unconditional Exemptions and Export Linked Incentives (Rs Crore)

Sl. No.	Name of the Scheme	Revenue Impact (Rs Crore)	
		2018-19	2019-20 (Estimated)
1	Unconditional Exemptions		
	On account of unconditional/technical BCD exemptions as per EDI data	129622	122737
	Of Which		
	On account of FTA/PTA/CECA/CEPA as per EDI data	48793	65734
2	Conditional Exemptions		
	Revenue foregone due to Conditional BCD exemptions.	34735	33750
3	Export Linked incentive schemes		
	Revenue impact on account of export linked incentive schemes	41018	48220
	Net Revenue Foregone (2+3)	75753	81970

Source: Computed from Receipt Budget 2020-2021, GoI

The net revenue foregone due to conditional exemptions and export linked incentive schemes in 2018-19 was Rs 75,753 crore and is estimated to increase to Rs 81,970 crore in 2019-20. Among the conditional BCD exemptions, the major items in terms of share in total conditional BCD exemptions, are other items (73%) in 2018-19 followed by specific goods used in the manufacture of mobile phones (21.4%) (Table 6.2).

Table 6.2: Revenue Impact on account of Conditional BCD Exemptions

Sl. No.	Different BCD Exemptions	Revenue Impact (Rs Crore)		Share of different Conditional BCD exemptions in Total Conditional BCD exemptions(%)	
		2018-19	2019-20 (Estimated)	2018-19	2019-20 (Estimated)
1	On account of exemption to specified goods used in manufacture of Mobile phones	6911	8877	21.4	28.2
2	On account of BCD exemptions to Mineral Fuels, mineral oils etc	1122	1194	3.5	3.8
3	On account of BCD exemption to manufacture ITA Bound Goods	428	432	1.3	1.4
4	On account of exemption to research equipment imported by public funded or Govt. Department. etc.	260	309	0.8	1.0
5	On account of exemption and effective rates of Customs Duty for other items (other than those mentioned at Sr. No. 1 to 4)	23583	20576	73.0	65.6
	Revenue Foregone on account of conditional BCD exemptions - EDI locations	32304	31388	100	100
	Total Revenue Foregone on conditional BCD exemptions after extrapolation	34735	33750		

Source: Computed from Receipt Budget 2020-2021, GoI

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Thus, while there is a need to bridge the gap between perception and reality, a careful rationalization of tariffs is also needed to bridge this gap between Realized Tariffs and MFN applied tariffs. But tariff rationalization has to be done cautiously as there are many sensitive items and items having livelihood concerns. To begin with tariff lines with BCD above 10% should be examined for rationalization. Even items at the borderline of 10% covering 38.3% of tariff lines and 23.7% of imports in the non-agricultural sector can be considered for rationalization.

It is to be noted that for many items, already duties have been lowered under FTAs. Infact, Effective tariffs for many items with MFN tariffs above 10% are low and even below 10% due to preferential tariffs, etc. Thus, for many items already preferential tariffs for FTAs apply and if MFN tariffs can be lowered slightly to effective tariffs (AHS) levels or near to it, India's MFN tariffs for majority of non-agricultural items will be below 10%. **The final list of items for rationalization should, however, be arrived at after wide-ranging consultations with stakeholders. Thus, there is scope for rationalizing tariffs at least upto or near the Effective tariff level if not upto or near the Realized tariff level.**

6.1.2 Inverted Duty Structure

The Government has been addressing Inverted duty structure from time to time. Yet some inverted duties continue and new ones are appearing. One new type of inverted duty has cropped up due to FTAs wherein preferential tariffed finished goods imports have zero/low tariffs while non-preferential tariffed imports of earlier stages of production like raw materials and intermediate goods have higher duties. These and cases of inverted duty mentioned in the earlier Chapters need to be addressed.

6.1.3 Non-ad valorem (NAV) Tariffs

While India's non-ad valorem tariffs have fallen over the years in the non-agricultural sector, still 5.5% of the MFN applied tariff lines had non-ad valorem tariffs in 2018, though in terms of import share, they form only 0.3% of total imports of India in 2017. In the agricultural sector, NAV tariffs are lesser than the non-agricultural sector in terms of tariff lines (0.3% in 2018), though in terms of import share, they are higher at 2.9% in 2017. There are many NAV tariffs in the textiles sector. **Though some advanced countries also have many tariff lines with non-ad valorem tariffs, for simplifying the tariff structure it would be better if India reduces the tariff lines with NAV tariffs to the maximum possible extent and convert them to ad valorem tariffs.**

6.1.4 Multiple Tariff Rates

One important issue in the context of rationalization of tariffs is the many rates of tariffs (Basic customs duty). While tariff reforms till now have helped in bringing India's peak duty to 10% and also supposedly reduced the number of tariff rates, in reality as per our calculations, in 2019 there are still 24 ad valorem tariff rates including the zero-duty rate covering 11839 tariff lines. While the agricultural sector has 19 tariff rates covering 1432 tariff lines, the non-agricultural sector has 18 tariff rates covering 10407 tariff lines. While it is believed that the number of tariff rates has been reduced over the years, India still has many tariff rates even if only ad valorem tariff rates are considered. This

calls for reducing the number of tariff rates to the barest minimum. While converting non-ad valorem to ad valorem will increase the number of rates further and also give it in decimals as done in the WITS database which gives ad valorem equivalents (AVEs), this is more of an academic exercise. If NAVs (as given in WTO data) are also considered, then India had 252 distinct MFN duty rates in 2018.

The tariff rates of agricultural sector are top-heavy (15-150 range), while tariff rates of the non-agricultural sector are bottom-heavy (0-30 range). Maximum tariff lines are in the Tariff rate of 30% for the agricultural sector, and in the 10, 7.5, 20 and 5% rates in the non-agricultural sector. Thus, the modal tariff rate in the agricultural sector is 30% and the most appearing tariff rates in the non-agricultural sector are 10% & 7.5% followed by 20%.

There are 4 tariff rates in the agricultural sector and 6 Tariff rates in the non-agricultural sector below 10% tariff rate (i.e., single-digit tariffs). **These are cases to be examined for rationalization in terms of the number of tariff rates. Merging some tariff rates at the tail ends (upper and lower range) can easily reduce the number of tariff rates (Agri & Non-Agri) at one shot without affecting many tariff lines.**

There are 1379 tariff lines in the Agricultural sector and 6384 in the non-agricultural sector with tariff rates at and above 10%. In terms of tariff lines, 96.3% in agricultural, 61.3% in non-agricultural and 65.6% in Total; and in terms of import share 87.7% of tariff lines in agricultural, 46.4% in non-agricultural and 48.0% in total have tariff rates of 10% or above. These are the tariff rates that have given India the tag of a high tariff economy. Thus, it is the tariff lines in these tariff rates that need to be examined for rationalization in terms of both the level of tariffs and tariff rates. Merging some tariff rates can reduce the number of tariff rates.

6.1.5 A Sum Up

Thus, in short, policies related to India's tariff structure and rationalization should include reducing the tariffs wherever possible atleast upto or near Effective Tariffs/Realised Tariffs coupled with a reduction of IGST rates in sectors where it is highly protective and removing the Social Welfare Surcharge (SWS) from imports. Rationalization should also include reducing the number of tariff rates by merging some of them; pruning the non-ad valorem tariffs to the barest minimum; and addressing the remaining cases of inverted duty structure wherever possible. Sensitive items particularly in the agricultural sector and having livelihood concerns should also be taken care of.

6.2 Policies Related to Rationalization of Preferential Tariffs

India though a late entrant in the area of FTAs has entered into many PTAs/FTAs/CECAs/CEPAs. In terms of share in total imports and exports, among the existing FTAs, APTA, ASEAN and SAARC as country groups and Singapore, Korea and Japan as individual FTA partners are the major trading groups/countries.

For the last three years (2016-2018), the share of preferential imports from all FTAs together in total imports of India was in the range of 16%-17%. The share of preferential imports by

India in its imports from FTA/RTA partners is high in the case of Afghanistan, Bangladesh, Sri Lanka, Nepal, SAARC, Japan and Chile. But the share of preferential imports of these FTA/RTA partners in their imports from India is much lower. In the case of Singapore, share of preferential imports in its total imports from India is negligible as Singapore's MFN tariffs were already low. Thus, India has not gained in terms of tariffs in India-Singapore CECA and gains need to be seen only in other parameters covered in the CECA. Some sort of balance in terms of preferential trade can be seen only in the case of India's preferential trade with South Korea and beneficial for India in APTA and MERCOSUR, though preferential trade is limited especially with MERCOSUR.

Preferential tariff (weighted) are much lower than MFN tariff on India's import side except for APTA, while in India's FTA partners' side, preferential tariffs are closer to MFN tariffs except mainly for Korea, APTA and MERCOSUR. **This indicates that the margin of preference given by India to its FTA partners is higher than the margin of preference given by them to India except mainly in the case of Korea and APTA. Thus, there is some sort of an "Unequal Exchange" in India's FTAs in terms of tariffs.**

One more thing to be noted is that more than the utilization rate of FTAs being lower by India on the export side, it is the low coverage of items under preferential trade in the imports of FTA partners of India and the relatively low preference margin which are important.

Thus, India's FTAs have not benefited India much in terms of tariffs, the main parameter of any FTA negotiations, but for some exceptions. While factors other than tariffs are also important, the importance of tariffs cannot be ignored. **So, India should not rush to conclude FTAs with many countries/groups. A proper evaluation even of existing FTAs is needed on the lines of a Zero Budgeting exercise. This is important particularly in the context of the revenue impact of FTAs (Table 6.3)**

Table 6.3: Revenue Impact on account of FTA/PTA/CEPA/CECA

Sl. No.	FTA/PTA/CEPA/CECA Country/Region	Revenue Impact (Rs Crore)		Revenue Impact: Share of FTA/PTA in Total of FTAs/PTAs (in %)	
		2018-19	2019-20 (Estimated)	2018-19	2019-20 (Estimated)
1	On account of concessional rate of customs duty for specified goods imported from ASEAN	22922	34779	47.0	52.9
2	On account of concessional rate of customs duty for specified goods imported from Korea	7327	7512	15.0	11.4
3	On account of concessional rate of customs duty for imports from Japan	4053	4883	8.3	7.4
4	On account of concessional rate of customs duty for imports from Malaysia	1416	3683	2.9	5.6
5	On account of concessional rate of customs duty for imports from South Asian Free Trade Area	403	246	0.8	0.4

6	On account of Preferential Trade Agreement with Least Developed Countries, Asia Pacific Trade Agreement etc.	11161	13090	22.9	19.9
7	Others	1511	1541	3.1	2.3
	Total	48793	65734		

Source: Computed from Receipt Budget 2020-2021, GoI

The revenue impact due to India-ASEAN CECA is the highest with the share of revenue impact in total at 47% in 2018-19 and estimated to increase in 2019-20 to 52.9%. The share of PTA with LDCs and APTA together is next highest at 22.9% in 2018-19 and estimated at 19.9% in 2019-20. This is followed by India-South Korea CEPA with a 15% share in 2018-19 and estimated to be 11.4% in 2019-20. Japan followed by Malaysia are the other two FTAs with significant shares. The revenue impact of SAFTA is very small despite a major part of imports covered under preferential trade as India's imports itself is relatively less from SAARC countries. **Since the revenue impact of FTAs is significant, proper evaluation of the gains for India needs to be made before negotiations/renegotiations on FTAs.**

Since some countries are in multiple FTAs and the same commodities are included in tariff concessions in different FTAs, there should be some uniformity. **The tariff concession for a tariff line by India should be the same for all FTAs. This will help in avoiding an FTA partner trying to use or misuse the best concessions in the FTA which has relatively lower preferential tariffs. This will also help in removing the confusion to domestic producers and make actions of a multiple FTA partner predictable.**

Many FTAs of India to developing countries has resulted in mainly giving tariff concessions. So a proper evaluation of the less developed and developing countries needs to be done to see whether they have graduated to a level where tariff concessions may not be needed for some items or whether the same countries are competing against India, using the tariff concessions. With US withdrawing GSP benefits to India but not to some developing FTA partners of India, India will be more open to competition in the US market from its FTA/RTA partners. **In this context, India has to see whether any of the existing concessions given to LDCs have to be re-evaluated. Along with the 'graduation clause' for the developing country FTA partners, there is a need for a 'sunset clause' for some concessions to FTA partners.**

Since WTO negotiations are not making much headway, FTAs have mushroomed all over the World. However, if WTO negotiations take place or if India can come up with some major tariff-related offers, then many of the existing FTAs may become irrelevant. **So, the tariff policy towards FTAs should be in sync with general tariff policy and possible offers by India on tariffs at the multilateral level. Next WTO Ministerial is in June 2020 in Nur-Sultan, Kazakhstan. Before that, India needs to firm up its policies towards FTAs.**

In the case of negotiations for any new FTAs in the future, if the MFN tariffs of the partner countries are already zero, near-zero or low, India should try to get maximum gains in areas other than tariffs as

the preference margins for India would be low. **FTAs should be based primarily on economic gains resulting in tariff liberalization on both sides without affecting sensitive sectors particularly the agricultural sector. Political, strategic or other gains should be only secondary.**

There is also a need to see that total duties do not become unduly protective both in the context of general trade and preferential trade. While IGST has to be rationalized, SWS should not be applicable for custom tariffs as it adds to the protection.

So, a multi-pronged strategy to rationalize tariffs in the context of India's FTAs is needed.

6.3 Rationalizing Tariffs in the Light of 'Make in India'

The Government of India in its Budget 2020-21 has made some tariff-related changes to help 'Make in India'. These include among others increase in customs duty, particularly under the Phased Manufacturing Programme (PMP) for electrical vehicles and cellular mobile phones; increase in customs duty for electronic sector and food processing industry; and lowering customs duty for inputs in many items (See Box 1.1, Chapter 1).

The analysis of imports by India from the World by stages of processing, taking the weighted average for both MFN and effective tariffs shows that India is moving in the right direction towards 'Make in India' with tariffs for raw materials, capital goods and intermediate goods falling and also being low except for intermediate goods. The weighted tariffs, both MFN and Effective are still relatively high in 2018 for Intermediate goods. The MFN and Effective tariffs were at 8.6% and 7.1% for Intermediate goods in 2018 (Table 6.4). However, the simple average MFN tariff is the highest for raw materials at 20.6%. Even simple average Effective tariff is high for raw materials at 10%. The difference between simple and weighted averages indicate that while tariffs for many tariff lines of raw materials are high, making simple average tariffs higher, the weightage of low tariffed raw materials in imports is high.

While India's tariff structure for World imports has helped in imports of some low tariffed but high weighted raw materials, the tariff structure of the World on imports from India is helpful for India's exports of intermediate goods and even capital goods (particularly if we see weighted tariffs both MFN and AHS). But consumer goods exports from India face high tariffs.

Despite a high value of raw material imports by India having low duties, there is a need to see that in terms of the number of tariff lines also, India's raw materials import particularly for the non-agricultural sector have low tariffs and any inverted duty structure is avoided. Tariffs for intermediate goods should also be reduced further. This can help 'Make in India' and further help India move up the value chain.

Further dovetailing tariff liberalization policies with pointed tariff policies in some sectors like electronics including optical fibres and cables, and items not in ITA1, shipping sector and even plantations Sector (as indicated in Chapter 5) can further help in 'Make in India' or 'Produce in India'. In this context, India could make major gains if the optical fibre/optical fibre Cables sector is promoted under 'Make in India' under the Phased Manufacturing Programme.

Table 6.4: Tariffs by India and the World in 2018

	India's Tariff on Imports from World					World's Tariff on Imports from India				Imports (US\$ Million)
	MFN		AHS		Imports (US\$ Million)	AHS		MFN		
	Simple Average	Weighted Average	Simple Average	Weighted Average		Simple Average	Weighted Average	Simple Average	Weighted Average	
Raw materials	20.6	2.6	10.0	2.1	221574	5.4	5.4	6.2	6.2	17343
Intermediate goods	10.4	8.6	7.8	7.1	184252	5.3	2.4	6.1	3.3	96937
Consumer goods	16.6	9.9	12.0	8.3	70221	10.7	6.1	11.7	7.1	81280
Capital goods	8.3	5.3	6.2	4.1	128504	4.2	2.8	4.7	3.9	35987

Source: Compiled from the WITS Database

6.4 Rationalizing Tariffs in the Light of Export Promotion Schemes

A World Trade Organization (WTO) dispute panel ruled on October 31 that India's key export promotion schemes violated WTO rules and hence should be withdrawn within six months. The verdict was based on a complaint filed by the United States of America (USA), which argued that five export subsidy schemes worth over \$ 7 billion that India offers, are not compatible with WTO rules. The ruling covered India's schemes such as the Export Oriented Units (EOU) Scheme and Sector-Specific Schemes, including the Electronics Hardware Technology Parks (EHTP) Scheme and the Bio-Technology Parks (BTP) Scheme, the Merchandise Exports from India Scheme (MEIS), the Export Promotion Capital Goods (EPCG) Scheme, the Special Economic Zones (SEZ) Scheme and the Duty-Free Imports for Exporters Scheme (DFIS). The complaint was that these schemes provide for certain exemptions from (or reductions of) customs duties or taxes, or the granting by the government of freely transferable "scrips" that can be used for payment of customs duties on certain goods, payment of excise on certain goods, and payment of certain other dues such as for shortfalls in export obligation. There are more than 8,000 products eligible for the "scrips", nearly double the number of products covered since its introduction in 2015. Exports under the SEZ have increased over 6,000 per cent from 2000 to 2017 and in 2016 accounted for over US\$ 82 billion in exports or 30 per cent of India's export volume. Terming these measures as export subsidies, the US had pointed out that it provides an unfair competitive advantage to recipients, and WTO rules expressly prohibit them. It also noted that India has been using a limited exception to this rule meant for specified developing countries until they reach a defined economic benchmark (\$1000 per capita GDP), though it continues it even after it surpassed the per-capita benchmark in 2015. India's exemption has expired, but India has not withdrawn its export subsidies. The panel report rejects India's assertion that it is entitled to additional time to provide export subsidies even after hitting the defined economic benchmark. The panel report concludes that each program is an export subsidy inconsistent with India's WTO obligations (USTR, 2019).

However, India also filed an appeal on 19 November concerning the WTO panel report in the case brought by the United States in "India - Export Related Measures".

As seen earlier, the low realized tariffs of India are also due to different concessions under export promotion schemes, including EPCG, MEIS, etc. As per the Receipt Budget 2020-21, the revenue

impact on account of export promotion schemes is Rs. 65720 crores in 2018-19 and estimated to increase to Rs. 73060 crore in 2019-20. Of this, the revenue impact of MEIS itself is more than 50% (Table 6.5).

Table 6.5: Revenue Impact on account of Export Promotion Schemes

Name of the Scheme	Revenue Impact (Rs Crore)		Share of different schemes to total input tax neutralization/ export linked incentive schemes (%)	
	2018-19	2019-20 (Estimated)	2018-19	2019-20 (Estimated)
Input tax neutralization or exemption schemes				
Advanced License Scheme	15075	14896	61.0	60.0
EOU/EHTP/STP/SEZ	5734	6022	23.2	24.2
EPCG	3220	3306	13.0	13.3
Duty Free Import Authorization Scheme	673	616	2.7	2.5
Revenue impact on account of input tax neutralization or exemption schemes	24702	24840	100	100
Export linked incentive schemes				
Duty Free Entitlement Credit Certificate	140	78	0.3	0.2
Service Export Incentive Scheme	3756	7008	9.2	14.5
Focus Market/Product Scheme	507	200	1.2	0.4
Merchandise Exports from India Scheme	36615	40934	89.3	84.9
Revenue impact due to export linked incentive schemes	41018	48220	100	100
Total Revenue Impact of Export Promotion Schemes	65720	73060		

Source: Computed from Receipt Budget 2020-2021, GoI

There are two types of Export Promotion Schemes – Input tax neutralization or exemption schemes and Export linked incentive schemes. The revenue impact of Input tax neutralization or exemption schemes is Rs. 24702 crore in 2018-19 (and estimated at Rs. 24840 crore in 2019-20). Of this, Advance License Scheme has a major share (61.0%), followed by EOU/EHTP/STP/SEZ schemes (23.2%) and EPCG scheme (13.0%). The revenue impact of Export Linked Incentive Schemes is Rs. 41018 crore (and estimated at Rs. 48220 crore in 2019-20). Of this, Merchandise Exports from India Scheme (MEIS) has a major share (89.3%) followed by Service Export Incentive Scheme (SEIS) (9.2%).

Many of the export promotion schemes result in a triple-negative effect. Firstly, a lot of revenue is foregone as indicated by the gap between applied MFN tariffs and Realized tariffs. Secondly, India is questioned at the WTO as some of the schemes are considered as WTO incompatible and thirdly, the perception of India being a high tariff economy results in trade negotiators of other countries looking at India with jaundiced eyes.

Though different rates of tariffs are levied not just with the motive of revenue generation, but for various other reasons including protecting the domestic sectors, providing differential treatment

to sectors, avoiding inverted duties, etc., **there is scope for India to reduce its applied tariffs substantially and simultaneously phase out some of the export promotion schemes. This will not cause much revenue loss. The applied MFN tariffs can at least be near to the Effective Tariffs and wherever possible near Realized Tariffs. Even customs revenue realized can be higher if applied tariff rates are kept slightly above the current realized tariff rates along with plugging leakages by phasing out the export incentives and keeping them to the barest minimum. Trade & Industry including exporters will also not be adversely affected as the import duties are lower. Instead, they can benefit due to lower transaction costs. Domestic concerns should, however, be taken care of by addressing issues related to sensitive items.**

6.5 Tariff Policies and Strategies for Multilateral and Bilateral Negotiations

The WTO negotiations are in limbo with the different groups of countries sticking to their standard positions. Not much headway is expected in the twelfth WTO Ministerial scheduled for June 2020 in Kazakhstan if countries stick to their old scripted stand.

In this context, the question is whether, India can throw a surprise in the area of tariffs in the forthcoming WTO negotiations. This may be possible if India first does its homework properly and decides on the tariff reforms at home as outlined in the earlier chapters. For this, a comprehensive list of sectors and items where India can comfortably lower its tariffs has to be prepared.

As a starting point, a list of items with a high difference between MFN applied tariffs and Effective tariffs on the one hand and a second list giving the difference in MFN applied tariffs and Realized tariffs, on the other hand, has to be prepared. The first list can help in preparing the first cut off for India's tariff offers and the second, the lower limit for the tariff below which negotiated tariffs should not go. Both the lists should be prepared sector-wise and tariff line-wise. While data for the first list is available in WITS, though the latest year is for 2018, for the second list, only the Government has the data. This should be backed by wide consultation with all stakeholders. In Table 6.6 the difference between MFN and AHS tariffs code-wise at 2 digit level is given for items with simple average tariffs at or above 10% and with the difference between MFN and AHS greater than 4 percentage points. This is only an example and there can be many permutations and combinations. A more detailed way is to see the difference between MFN and AHS tariffs at the 6-digit level or tariff line-wise. This is given in Annexure 1, at the 6-digit level. This table shows that the difference between the MFN and AHS tariffs is noticeable in many codes. In the table, there are 427 items at the 6-digit level with tariffs at or above 10% with the difference between Simple average MFN and Effective tariff of 4 percentage points. The share of the listed items in total imports of India is only 2%. The major non-agricultural items are photographic or cinematographic goods; textile items; iron & steel items; electrical items; vehicles other than railways; footwear; toys, games & sports items; chemical items like cosmetics and perfumes, etc. There are many items in the non-agricultural sector with the difference between Simple MFN and AHS above 10 percentage points. Thus, there are many items in which the MFN tariff can be lowered to the Effective tariff level or near it. This will help in formulating India's negotiating stand.

Meanwhile, there is also a need to dispel the impression that India is a high tariff country by giving the facts and figures of India's Effective and Realized Tariffs.

In the case of ITA1 items where India lost badly, at least new products not covered in ITA1 should be given separate tariff lines where India can decide its offers. This may help in avoiding disputes like the present one, where Japan, the EU and even the US have raised their objections for the tariff on some IT products and the EU has even invoked dispute settlement proceedings against India. India, however, contends that these items were not in existence at the time of ITA1 and not included in ITA1.

**Table 6.6: India's Simple Average MFN and AHS Tariffs at 2 digit level in 2018
(MFN Tariff $\geq 10\%$, MFN-AHS > 4 Percentage Points)**

Tariff Rate	2HS Product Code and Description	Number of Tariff Lines at 6HS level			Share to Total Imports (%)		
		Agri	Non-Agri	Total	Agri	Non-Agri	Total
10		2	105	107	0.0002	0.3312	0.3314
	17-Sugars And Sugar Confectionery.	2		2	0.0002		0.0002
	37-Photographic Or Cinematographic Goods.		6	6		0.0032	0.0032
	39-Plastic And Articles Thereof.		1	1		0.0001	0.0001
	40-Rubber And Articles Thereof.		3	3		0.0005	0.0005
	41-Raw Hides And Skins (Other Than Furskins) And Leather		3	3		0.0003	0.0003
	44-Wood And Articles Of Wood; Wood Charcoal.		15	15		0.0149	0.0149
	46-Manufactures Of Straw, Of Esparto Or Of Other Plaiting Materials; Basketware And Wickerwork.		6	6		0.0001	0.0001
	50-Silk		1	1		0.0028	0.0028
	52-Cotton.		8	8		0.0020	0.0020
	53-Other Vegetable Textile Fibres; Paper Yarn And Woven Fabrics Of Paper Yarn.		4	4		0.0185	0.0185
	54-Man-Made Filaments.		1	1		0.0020	0.0020
	55-Man-Made Staple Fibres.		6	6		0.0184	0.0184
	56-Wadding, Felt And Nonwovens; Spacial Yarns; Twine, Cordage, Ropes And Cables And Articles Thereof.		3	3		0.0017	0.0017
	59-Impregnated, Coated, Covered Or Laminated Textile Fabrics; Textile Articles Of A Kind Suitable For Industrial Use.		1	1		0.0002	0.0002
	60-Knitted Or Crocheted Fabrics.		3	3		0.0069	0.0069
	61-Articles Of Apparel And Clothing Accessories, Knitted Or Corcheted.		9	9		0.0014	0.0014
	62-Articles Of Apparel And Clothing Accessories, Not Knitted Or Crocheted.		7	7		0.0007	0.0007
	63-Other Made Up Textile Articles; Sets; Worn Clothing And Worn Textile Articles; Rags		2	2		0.0007	0.0007
	68-Articles Of Stone, Plaster, Cement, Asbestos, Mica Or Similar Materials.		4	4		0.0017	0.0017
	72-Iron And Steel		3	3		0.0211	0.0211

	73-Articles Of Iron Or Steel		2	2		0.0035	0.0035
	85-Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders And Reproducers,And Parts.		2	2		0.0104	0.0104
	87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		2	2		0.0042	0.0042
	89-Ships, Boats And Floating Structures.		1	1		0.2096	0.2096
	90-Optical, Photographic Cinematographic Measuring, Checking Precision, Medical Or Surgical Inst. And Apparatus Parts And Accessories Thereof;		1	1		0.0000	0.0000
	92-Musical Instruments; Parts And Accessories Of Such Articles.		2	2		0.0003	0.0003
	93-Arms And Ammunition; Parts And Accessories Thereof.		1	1		0.0000	0.0000
	94-Furniture; Bedding, Mattresses, Mattress Supports, Cushions And Similar Stuffed Furnishing; Lamps And Lighting Fittings Not Elsewhere Specified Or Inc		2	2		0.0002	0.0002
	95-Toys, Games And Sports Requisites; Parts And Accessories Thereof.		6	6		0.0058	0.0058
12.5			13	13		0.3042	0.3042
	56-Wadding, Felt And Nonwovens; Spacial Yarns; Twine, Cordage, Ropes And Cables And Articles Thereof.		1	1		0.0006	0.0006
	72-Iron And Steel		12	12		0.3036	0.3036
15		9	1	10	0.0106	0.0001	0.0108
	08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	2		2	0.0028		0.0028
	12-Oil Seeds And Olea. Fruits; Misc. Grains, Seeds And Fruit; Industrial Or Medicinal Plants; Straw And Fodder.	1		1	0.0015		0.0015
	23-Residues And Waste From The Food Industries; Prepared Animal Foder.	6		6	0.0063		0.0063
	87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		1	1		0.0001	0.0001
16.67			3	3		0.0252	0.0252
	87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		3	3		0.0252	0.0252
20			33	33		0.2057	0.2057
	29-Organic Chemicals		1	1		0.0010	0.0010
	33-Essential Oils And Resinoids; Perfumery, Cosmetic Or Toilet Preparations.		15	15		0.0870	0.0870

	35-Albuminoidal Substances; Modified Starches; Glues; Enzymes.		2	2		0.0001	0.0001
	64-Footwear, Gaiters And The Like; Parts Of Such Articles.		9	9		0.0877	0.0877
	71-Natural Or Cultured Pearls,Precious Or Semiprecious Stones,Pre.Metals,Clad With Pre.Metal And Artcls Thereof;Imit. Jewelry;Coin.		3	3		0.0080	0.0080
	87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		2	2		0.0215	0.0215
	95-Toys, Games And Sports Requisites; Parts And Accessories Thereof.		1	1		0.0005	0.0005
25		1	3	4	0.0008	0.0009	0.0018
	08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	1		1	0.0008		0.0008
	34-Soap, Organic Surface-Active Agents, Washing Preparations, Lubricating Preparations, Artificial Waxes, Prepared Waxes, Polishing Or Scouring Prep.		1	1		0.0008	0.0008
	89-Ships, Boats And Floating Structures.		2	2		0.0001	0.0001
25.71		1		1	0.0021		0.0021
	15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxex.	1		1	0.0021		0.0021
26.67			1	1		0.0000	0.0000
	87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		1	1		0.0000	0.0000
27.5		1		1	0.0000		0.0000
	15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxex.	1		1	0.0000		0.0000
29.6		1		1	0.0289		0.0289
	13-Lac; Gums, Resins And Other Vegetable Saps And Extracts.	1		1	0.0289		0.0289
30		166	43	209	0.7972	0.0097	0.8069
	01-Live Animals.	4		4	0.0008		0.0008
	02-Meat And Edible Meat Offal.	8		8	0.0005		0.0005
	03-Fish And Crustaceans, Molluscs And Other Aquatic Invertabrates.		43	43		0.0097	0.0097
	04-Dairy Produce; Birds' Eggs; Natural Honey; Edible Prod. Of Animal Origin, Not Elsewhere Spec. Or Included.	4		4	0.0003		0.0003
	05-Products Of Animal Origin, Not Elsewhere Specified Or Included.	5		5	0.0016		0.0016

	06-Live Trees And Other Plants; Bulbs; Roots And The Like; Cut Flowers And Ornamental Foliage.	1		1	0.0001		0.0001
	07-Edible Vegetables And Certain Roots And Tubers.	20		20	0.1149		0.1149
	08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	20		20	0.4110		0.4110
	09-Coffee, Tea, Mate And Spices.	9		9	0.0318		0.0318
	11-Products Of The Milling Industry; Malt; Starches; Inulin; Wheat Gluten.	4		4	0.0027		0.0027
	12-Oil Seeds And Olea. Fruits; Misc. Grains, Seeds And Fruit; Industrial Or Medicinal Plants; Straw And Fodder.	8		8	0.0487		0.0487
	13-Lac; Gums, Resins And Other Vegetable Saps And Extracts.	6		6	0.0194		0.0194
	14-Vegetable Plaiting Materials; Vegetable Products Not Elsewhere Specified Or Included.	4		4	0.0027		0.0027
	15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxex.	2		2	0.0014		0.0014
	16-Preparations Of Meat, Of Fish Or Of Crustaceans, Molluscs Or Other Aquatic Invertebrates	13		13	0.0007		0.0007
	17-Sugars And Sugar Confectionery.	3		3	0.0050		0.0050
	18-Cocoa And Cocoa Preparations.	8		8	0.0407		0.0407
	19-Preparations Of Cereals, Flour, Starch Or Milk; Pastrycooks Products.	13		13	0.0118		0.0118
	20-Preparations Of Vegetables, Fruit, Nuts Or Other Parts Of Plants.	11		11	0.0034		0.0034
	21-Miscellaneous Edible Preparations.	10		10	0.0207		0.0207
	22-Beverages, Spirits And Vinegar.	6		6	0.0775		0.0775
	23-Residues And Waste From The Food Industries; Prepared Animal Foder.	7		7	0.0012		0.0012
32.5		1		1	0.0022		0.0022
	15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxes.	1		1	0.0022		0.0022
33		1		1	0.0042		0.0042
	20-Preparations Of Vegetables, Fruit, Nuts Or Other Parts Of Plants.	1		1	0.0042		0.0042
35		2		2	0.0300		0.0300
	09-Coffee, Tea, Mate And Spices.	2		2	0.0300		0.0300
40		1	1	2	0.0002	0.0119	0.0121
	04-Dairy Produce; Birds' Eggs; Natural Honey; Edible Prod. Of Animal Origin, Not Elsewhere Spec. Or Included.	1		1	0.0002		0.0002

	87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		1	1		0.0119	0.0119
50		16		16	0.0735		0.0735
	08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	1		1	0.0599		0.0599
	10-Cereals.	1		1	0.0001		0.0001
	11-Products Of The Milling Industry; Malt; Starches; Inulin; Wheat Gluten.	1		1	0.0009		0.0009
	19-Preparations Of Cereals, Flour, Starch Or Milk; Pastrycooks Products.	1		1	0.0055		0.0055
	20-Preparations Of Vegetables, Fruit, Nuts Or Other Parts Of Plants.	12		12	0.0071		0.0071
53.33		1		1	0.0308		0.0308
	07-Edible Vegetables And Certain Roots And Tubers.	1		1	0.0308		0.0308
60		1		1	0.0007		0.0007
	04-Dairy Produce; Birds' Eggs; Natural Honey; Edible Prod. Of Animal Origin, Not Elsewhere Spec. Or Included.	1		1	0.0007		0.0007
65.56		1		1	0.0271		0.0271
	09-Coffee, Tea, Mate And Spices.	1		1	0.0271		0.0271
70		6	1	7	0.0145	0.0018	0.0164
	08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	2		2	0.0004		0.0004
	09-Coffee, Tea, Mate And Spices.	2		2	0.0102		0.0102
	10-Cereals.	1		1	0.0008		0.0008
	12-Oil Seeds And Olea. Fruits; Misc. Grains, Seeds And Fruit; Industrial Or Medicinal Plants; Straw And Fodder.	1		1	0.0032		0.0032
	40-Rubber And Articles Thereof.		1	1		0.0018	0.0018
80		2		2	0.0000		0.0000
	10-Cereals.	2		2	0.0000		0.0000
100		12	6	18	0.0667	0.0094	0.0760
	07-Edible Vegetables And Certain Roots And Tubers.	1		1	0.0000		0.0000
	08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	3		3	0.0329		0.0329
	09-Coffee, Tea, Mate And Spices.	6		6	0.0337		0.0337
	16-Preparations Of Meat, Of Fish Or Of Crustaceans, Molluscs Or Other Aquatic Invertebrates	1		1	0.0001		0.0001
	17-Sugars And Sugar Confectionery.	1		1	0.0000		0.0000
	87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		6	6		0.0094	0.0094

125			3	3		0.0130	0.0130
	87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.		3	3		0.0130	0.0130
150		1		1	0.0137		0.0137
	21-Miscellaneous Edible Preparations.	1		1	0.0137		0.0137

Source: Computed from WITS database.

In the case of FTAs, there is a need to systematically review all existing FTAs. The Government has already indicated its intent to do so. Renegotiating existing FTAs along with negotiating new FTAs should be based on its assessment. The graduation clause and sunset clause mentioned earlier should be included while renegotiating existing FTAs or negotiating new ones.

An App-based system should be developed where all the parameters related to tariffs should be put in one place with an alert system warning negotiators if they go beyond a particular threshold. For this, databases have to be inter-connected and trade experts should continuously monitor the data.

6.6 Tariff Related Policies for Moving Up the Stages of Processing and Greater Participation in Global Value Chains (GVCs)

While global value chains help in greater efficiency and greater integration into the World economy, in recent years there has been a weakening of the GVCs due to protectionist policies of countries and now a disruption in GVCs due to COVID-19, which hopefully is a temporary phenomenon.

OECD's TiVA indicators provide a broad view of where value is created along each stage of the global value chains (GVCs) (OECD, Dec2018). At the global level, GVC integration has steadily declined in recent years, following a brief increase in the wake of the financial crisis. In line with the global trend, in the case of India also, as per TiVA indicators after an increase from 18.8% in 2005 to 25.1 % in 2011 and 2012, the foreign value-added content of India's exports indicating 'imports for exports' has declined by 9 percentage points to 16.1 % in 2016. As stated by the OECD, the low level of foreign content in India's exports, relative to OECD and G20 averages, is likely due in part to a shift towards local suppliers of intermediate inputs, particularly in the growing services sector. This is despite an increase in the foreign content of gross manufacturing exports between 2005 and 2015 as the Information and Communications sector carries a significant amount of weight.

The industries with the most foreign value-added content in their exports in 2015 were coke and refined petroleum products (47%), basic metals (38%), and ICT and electronics (36.8%). The most foreign content of total exports came from coke and refined petroleum products (2.8%).

In the case of foreign final demand in domestic production overall 16.4% of India's domestic value-added in 2015 was driven by consumption abroad, up from 15.9%, a decade earlier. By industry, the shares of major sectors were 54.5% for other manufacturing n.e.s. and 52.8% for Information and Communication services.

While the TiVA indicator help in seeing a country's integration into the GVCs, it does not show the role of tariffs in this integration. Tariffs can play an important role in greater integration

in the GVCs as indicated in the analysis of tariffs by stages of processing. India's general tariffs for the World by stages of processing show that India's tariffs are helpful for 'Make in India', while the general tariffs of the World for India show that they are helpful in the export of intermediate goods from India.

The analysis of preferential tariffs in FTAs by stages of processing shows that India's tariffs have fallen and are low for all the FTAs in all stages of processing after FTAs were implemented. However, the preferential and effective tariffs on raw materials are relatively higher than in other stages of processing in many FTAs. This needs to be addressed to avoid a type of inverted duty structure due to FTAs. This could also be due to the composition of raw materials particularly agricultural raw materials which have relatively higher tariffs.

While India's FTAs have resulted in lower preferential tariffs for India's FTA partners in different stages of processing (except for raw materials in some cases) helping to integrate in the value chains of production, the preferential tariffs of India's FTA partners for India show that the tariff structure changes have helped in India's exports of mainly intermediate goods to these countries. Consumer goods exports have increased only for Singapore and ASEAN, but this is not due to tariff concessions.

Thus, the tariff structure in the context of FTAs has helped mainly in the integration of India's Intermediate goods in the global value chains through the forward linkages in India's exports rather than finished or consumer goods for which FTA partners' preferential tariffs are relatively higher for India. In India's tariff negotiations/re negotiations with FTAs, India should also try to get greater market access for its finished goods also to move higher up the value chain.

Table 6.7: Tariffs by India and FTA Partners in 2018

	India's Tariffs on Imports from FTAs						FTA's Tariffs on Imports from India			FTA's Tariffs on Imports from the World							
	PRF		AHS		Imports Value in US\$ Million		PRF	MFN		Imports Value in US\$ Million		AHS		MFN		Imports Value in US\$ Million	
	Simple Average	Weighted Average	Simple Average	Weighted Average	Total	PRF		Simple Average	Weighted Average	Total	PRF	Simple Average	Weighted Average	Simple Average	Weighted Average		
Sri Lanka																	
Raw materials	0.6	1.3	2.4	0.8	95	56	2.7	6.8	13.4	18.8	164	18	15.1	8.8	14.8	9.0	1563
Intermediate goods	1.2	1.4	2.0	1.5	191	189	0.9	1.2	6.6	5.9	1446	255	7.5	15.0	8.7	15.6	7254
Consumer goods	0.6	1.6	2.0	1.9	493	464	1.8	8.0	17.9	17.3	1678	192	20.8	19.6	20.5	20.1	6294
Capital goods	0.0	0.0	0.0	0.0	612	599	1.2	2.5	3.3	5.5	764	109	4.1	3.6	3.2	4.0	4412
Japan																	
Raw materials	5.3	1.4	5.2	1.6	89	86	1.2	2.7	6.6	1.4	493	119	10.1	2.8	7.8	3.0	163316
Intermediate goods	1.9	1.5	2.5	1.8	6282	5489	0.4	0.3	4.4	1.8	2170	1162	3.4	1.8	4.8	2.5	98800
Consumer goods	3.0	2.9	6.0	4.3	1414	1208	1.1	2.1	6.2	8.0	1693	598	5.2	3.7	6.7	4.9	237848
Capital goods	2.9	3.0	3.9	3.7	6966	5475	0.0	0.0	0.1	0.0	579	4	0.0	0.0	0.1	0.0	189708
Korea, Rep.																	
Raw materials	4.7	0.9	2.9	3.8	139	44	4.8	19.2	32.6	75.9	326	136	20.9	8.8	27.2	13.5	109296
Intermediate goods	0.7	0.4	1.9	1.8	9529	7714	0.7	0.7	11.0	4.0	2652	2377	4.6	2.9	11.5	5.5	85176
Consumer goods	1.3	0.8	4.9	2.7	2405	1210	1.4	0.7	12.0	10.1	1414	370	4.9	3.6	12.2	9.5	104953
Capital goods	0.9	1.4	2.0	1.9	7157	5371	0.0	0.0	6.3	6.9	439	415	1.8	2.1	6.2	5.8	159642

Singapore												
Raw materials	0.4	0.0	3.6	1.0	1663	1540			0.0	0.0	0.0	26450
Intermediate goods	0.7	0.7	1.3	1.0	5381	4787			0.0	0.0	0.0	53025
Consumer goods	0.9	1.0	5.3	11.5	2199	1257	0.0	0.0	1.3	4.8	1.0	80506
Capital goods	0.3	0.6	0.8	0.4	7296	4139			0.0	0.0	0.0	147831
SAARC												
Raw materials	0.7	1.0	2.7	1.7	1014	843	5.4	7.7	10.0	8.6	6.0	14897
Intermediate goods	0.8	0.8	2.1	0.7	1049	941	4.0	4.6	9.3	8.4	9.2	31618
Consumer goods	0.7	0.7	2.7	1.3	1405	1212	5.6	9.7	15.7	17.6	15.0	32125
Capital goods	0.7	0.1	0.4	0.1	696	681	4.9	4.9	9.1	10.6	8.8	21050
APTA												
Raw materials	1.5	2.5	7.8	6.9	1132	401	4.2	4.6	17.4	9.3	2.9	497985
Intermediate goods	0.6	3.1	5.7	6.4	37246	12886	1.7	1.6	8.3	5.2	3.3	461046
Consumer goods	0.9	5.9	7.6	8.9	16419	5411	3.5	4.2	14.5	13.1	8.4	342133
Capital goods	0.4	3.6	4.2	3.6	52798	9709	1.7	2.6	5.3	5.7	2.5	905916
ASEAN												
Raw materials	0.6	0.7	5.7	2.0	16892	12250	3.4	8.9	4.0	9.0	2.1	68435
Intermediate goods	0.6	0.9	1.6	2.6	24299	17767	2.6	2.2	3.8	2.5	1.1	148434
Consumer goods	0.8	1.8	4.3	8.0	8882	5533	5.9	8.9	8.3	7.3	3.3	158891
Capital goods	0.2	0.5	1.0	0.6	18149	11707	2.5	4.4	2.84	7.55	0.46	266414

Source: Compiled from WITS Database

6.7 Policy in the Context of Trade Wars and Tariff escalations including GSP withdrawal

Trade wars and trade escalations have led to not only increasing tariffs but also fall or slowdown in trade along with trade diversion as indicated in our analysis earlier on US-China trade wars. While the US-China Trade War has opened up many opportunities for India, there seems to be a truce between the warring parties and the impact of the trade war may be short-lived. However, in the case of India-US trade conflict, withdrawal of GSP benefits has already affected many sectors. To counter the effects of the withdrawal of GSP by the USA, India can have a carefully crafted FTA with the USA without affecting sensitive sectors and in which India can ask for duty concessions for all items out of GSP.

Withdrawal of GSP and removing India from the developing countries list has forced India to negotiate on the concessions which were available earlier. An FTA with the USA can possibly help in regaining benefits similar to GSP. Alternatively, India can also try to get US GSP benefits for some important items at least. **The Indian government can also think of giving temporary relief to its exporters for GSP affected items, to increase exports to the USA. Since WTO compatibility of the export incentive schemes is under question, it is better to think of measures to support marketing of Indian products.** For example, the restrictions under MAIS on participation in fairs (3 times for an event and 2 times a year) may be removed and air ticket reimbursement may be increased for companies based on some criterion.

Tariff escalation and withdrawal of GSP affect India in another way. While India is out of GSP of the USA, some developing and LDC countries continue to enjoy GSP benefits from the USA. These countries get tariff concessions in India's FTAs, some as LDC partners. These very countries which continue to enjoy US GSP benefits, compete against India in the very same commodities for which GSP has been withdrawn for India, particularly Bangladesh. Vietnam is also very competitive in some products like textiles. This needs to be addressed by the graduation and sun-set clauses in India's FTAs mentioned earlier.

6.8 Mechanism for Regular Monitoring of Tariffs

As indicated in Budget 2020-2021, the Government of India has observed the rising imports under FTAs and undue claims of FTA benefits which pose a threat to the domestic industry. To check such imports a new Chapter VAA (a new Section 28DA) is being incorporated in the customs Act to provide enabling provision for administering the preferential tariff treatment regime under trade agreements.

The proposed new section seeks to specifically provide for certain obligations on the importer and prescribe for time-bound verification from exporting country in case of doubt. Pending verification, preferential tariff treatment shall be suspended and goods shall be cleared only on furnishing security equal to differential duty. In certain cases, the preferential tariff treatment may be denied without further verification.

The Government also proposes to review Rules of Origin requirements, particularly for certain

sensitive items, to ensure that FTAs are aligned to the conscious direction of the Government policy.

Section 8B of the Customs Tariff Act, 1975, which provides for the imposition of safeguard duty as a trade remedy against a surge in imports of a commodity, is being amended to make provisions for the application of other safeguard measures such as Tariff Rate Quota (TRQ) and other safeguard measures, as the Central Government may deem necessary to protect the domestic industry from injury due to a significant surge in imports. The amended provisions will enable regulating the surge in imports in a systematic way. The provisions for checking dumping of goods and import of subsidized goods are also being strengthened in line with international best practices to ensure a level playing field for the domestic industry.

While these are welcome moves, there should be a more systematic way of monitoring tariffs regularly, both general and for FTAs. While private institutions are assigned piecemeal research work on tariffs, it would be better to have a Government institution that is privy to a lot of information and data and is backed by authority, which helps in getting necessary information from stakeholders. **A separate cell can be set up in the Government for this purpose. USTR and METI like organizations are needed to monitor tariffs along with trade policies.**

This Trade Policy Making and Monitoring (TPMM) body should include Trade Experts to prepare and monitor tariffs and other trade policies on a regular basis. This will also give continuity in trade policy discussions and also ensure that institutional knowledge is not lost even when there is a change of guard of trade policy negotiators of the Government who have an average tenure of 2-3 years.

The database with the Government should be up to date and should also be available in the public domain except for very confidential information. The India Trade portal which is supposed to have information on tariffs is not user-friendly and needs a lot of improvement. It does not have information on FTA partners' tariffs for India. Researchers and policymakers will have to depend on international data or use the data of other countries as a proxy.

The latest customs revenue data by sectors and subsectors is also not available in the public domain. Even the Government hardly uses it. **So, the setting up of a special institution and updating the databases should go hand in hand.**

6.9 Timelines for Tariff Reforms

This report has focused on the varied tariff-related issues and has also suggested some practical policy measures. These measures could be implemented over a period of time. However, there is a need to prioritize the reforms as per indicative timelines. The timelines for tariff reforms can be as follows:

First, specific duties need to be converted to ad valorem duties in the short term to the extent possible. Second, the number of tariff rates needs to be reduced over time. Third, inverted duties need to be removed as and when they arise. Fourth, reducing tariffs over a time period

to help exports and also for greater integration into the GVCs. For this, in the first stage bringing MFN tariffs to the level of Effective tariffs should be attempted and in the next stage bringing MFN tariffs near Realized tariffs along with pruning some export incentives should be explored.

So, lowering peak duties across the board may not be an ideal solution at this juncture. What needs to be done is to bring MFN tariffs closer to Effective tariffs and Realized tariffs to the extent possible. Items with above 10% tariffs need to be examined first for tariff rationalization. While prioritizing sectors for tariff reduction over a time frame, electronics and agricultural sector should be kept in the exclusion list to the extent possible. **The objectives of 'Make in India' and the interests of sensitive items particularly in the agricultural sector should be kept in mind while rationalizing tariffs.**

6.10 Conclusion

Thus, this report makes an in-depth analysis of India's tariff-related issues, both general and preferential using the latest available detailed data from different sources and powered by the practical experiences of different stakeholders. Based on this analysis, specific and focused policies to rationalize tariffs have been suggested. In the case of preferential trade, this report focuses mainly on tariff which is the main pillar of any preferential trade negotiations, though other parameters are also important in the formulation of holistic policies. Some novel policies and strategies related to tariffs for multilateral and bilateral negotiations backed by domestic tariffs reforms have also been suggested as per indicative timelines. Implementation of these suggested general and sector-specific policies within a time framework should help in greater liberalization of tariffs alongwith safeguarding the interests of the domestic sector.

Annexure 1: India's Simple Average MFN and AHS Tariffs at 6-digit level in 2018 (MFN Tariff $\geq 10\%$, MFN-AHS > 4 Percentage Points)

Tariff Rate	6HS code	Product Name	Average of Simple Average			Average of Weighted Average			Imports Value in US\$ 1000	Share to Total Imports (%)
			MFN	AHS	MFN-AHS	MFN	AHS	MFN-AHS		
10	17-Sugars And Sugar Confectionery.									
	170310	Cane molasses	10	0.0	10.0	10	0.0	10.0	1187	0.000
	170390	Other	10	5.7	4.3	10	5.2	4.8	73	0.000
	37-Photographic Or Cinematographic Goods.									
	370199	Other	10	5.9	4.1	10	6.9	3.1	3626	0.001
	370210	For X-ray	10	5.7	4.3	10	5.9	4.1	13904	0.002
	370239	Other	10	5.9	4.1	10	5.3	4.7	1490	0.000
	370252	Of a width not exceeding 16 mm	10	0.0	10.0	10	0.0	10.0	3	0.000
	370256	Of a width exceeding 35 mm	10	5.0	5.0	10	3.8	6.2	180	0.000
	370297	Of a width not exceeding 35 m	10	5.0	5.0	10	9.9	0.1	6	0.000
	39-Plastic And Articles Thereof.									
	392094	Of phenolic resins	10	5.6	4.4	10	2.3	7.7	391	0.000
	40-Rubber And Articles Thereof.									
	400251	Latex	10	5.5	4.6	10	3.5	6.5	1017	0.000
	401310	Of a kind used on motor cars	10	5.8	4.2	10	9.2	0.8	1719	0.000
	401320	Of a kind used on bicycles	10	5.1	4.9	10	4.9	5.1	579	0.000
	41-Raw Hides And Skins (Other Than Furskins) And Leather									
	410622	In the dry state (crust)	10	5.8	4.2	10	9.3	0.7	1118	0.000
	410631	In the wet state	10	0.0	10.0	10	0.0	10.0	261	0.000
	44-Wood And Articles Of Wood; Wood Charcoal.									
	440500	Wood wool; wood flour	10	4.0	6.0	10	5.0	5.0	2611	0.000
	440725	Dark red meranti, light red	10	0.0	10.0	10	0.0	10.0	10309	0.002
	440726	White lauan, white meranti	10	0.0	10.0	10	0.0	10.0	4954	0.001
	440922	Of tropical wood	10	5.0	5.0	10	1.2	8.8	1317	0.000
	441210	Of bamboo	10	4.3	5.7	10	5.6	4.4	539	0.000
	441231	With at least one outer ply	10	5.5	4.5	10	0.6	9.4	66365	0.011
	441234	Other	10	4.3	5.7	10	6.3	3.8	863	0.000
	441294	Blockboard, laminboard, etc.	10	5.8	4.2	10	8.0	2.0	1017	0.000

441810	Windows, French windows, etc.	10	3.2	6.8	10	5.0	5.0	516	0.000
441850	Shingles and shakes	10	5.0	5.0	10	4.3	5.7	5	0.000
441891	Of bamboo	10	4.7	5.3	10	8.5	1.5	109	0.000
441911	Bread boards, chopping boards	10	3.6	6.4	10	7.7	2.3	533	0.000
441912	Chopsticks	10	3.9	6.1	10	8.7	1.3	24	0.000
442010	Statuettes and other ornaments	10	5.8	4.2	10	3.4	6.7	1035	0.000
46-Manufactures Of Straw, Of Esparto Or Of Other Plaiting Materials; Basketware And Wickerwork.									
460121	Of bamboo	10	5.3	4.7	10	5.2	4.8	316	0.000
460122	Of rattan	10	2.5	7.5	10	7.7	2.3	98	0.000
460192	Of bamboo	10	3.2	6.8	10	5.9	4.1	55	0.000
460193	Of rattan	10	5.0	5.0	10	9.2	0.8	22	0.000
460199	Other	10	4.5	5.5	10	9.9	0.2	218	0.000
460212	Of rattan	10	5.0	5.0	10	5.9	4.1	163	0.000
50-Silk									
500400	Silk yarn	10	5.0	5.0	10	2.0	8.0	16862	0.003
52-Cotton.									
520514	Measuring less than 192,31 decitex	10	0.0	10.0	10	0.0	10.0	40	0.000
520622	Measuring less than 714,29 decitex	10	0.0	10.0	10	0.0	10.0	418	0.000
520623	Measuring less than 232,56 decitex	10	2.5	7.5	10	0.0	10.0	9648	0.002
520631	Measuring per single yarn 714,29 decitex	10	5.0	5.0	10	5.0	5.0	91	0.000
520813	3-thread or 4-thread twill	10	5.8	4.3	10	7.9	2.1	379	0.000
521019	Other fabrics	10	5.0	5.0	10	8.0	2.0	139	0.000
521029	Other fabrics	10	5.8	4.2	10	10.0	0.0	610	0.000
53-Other Vegetable Textile Fibres; Paper Yarn And Woven Fabrics Of Paper Yarn.									
530390	Other	10	4.3	5.7	10	0.0	10.0	4915	0.001
530720	Multiple (folded) or cabled	10	5.0	5.0	10	0.0	10.0	28315	0.005
531010	Unbleached	10	3.3	6.7	10	0.0	10.0	73956	0.012
531100	Woven fabrics of other vegetable textiles	10	5.8	4.2	10	9.9	0.1	5499	0.001
54-Man-Made Filaments.									
540339	Other	10	5.0	5.0	10	0.5	9.5	12389	0.002
55-Man-Made Staple Fibres.									
550921	Single yarn	10	5.0	5.0	10	4.2	5.9	108119	0.018

550953	Mixed mainly or solely with cotton	10	3.0	7.0	10	4.1	5.9	773	0.000
551020	Other yarn, mixed	10	5.0	5.0	10	0.4	9.6	368	0.000
551110	Of synthetic staple fibres,	10	5.0	5.0	10	5.0	5.0	30	0.000
551423	Other woven fabrics of polyester	10	5.0	5.0	10	5.0	5.0	17	0.000
56-Wadding, Felt And Nonwovens; Spacial Yarns; Twine, Cordage, Ropes And Cables And Articles Thereof.									
560721	Binder or baler twine	10	5.0	5.0	10	9.4	0.6	1	0.000
560741	Binder or baler twine	10	3.3	6.7	10	1.0	9.0	1	0.000
60-Knitted Or Crocheted Fabrics.									
600330	Of synthetic fibres	10	5.0	5.0	10	5.5	4.5	651	0.000
600641	Unbleached or bleached	10	5.9	4.1	10	8.0	2.0	501	0.000
600642	Dyed	10	6.0	4.0	10	7.7	2.3	41012	0.007
61-Articles Of Apparel And Clothing Accessories, Knitted Or Corcheted									
610323	Of synthetic fibres	10	5.0	5.0	10	8.1	2.0	34	0.000
610461	Of wool or fine animal hair	10	5.0	5.0	10	7.1	2.9	65	0.000
610719	Of other textile materials	10	5.0	5.0	10	1.6	8.4	706	0.000
610811	Of man-made fibres	10	5.7	4.3	10	6.1	3.9	592	0.000
610819	Of other textile materials	10	5.6	4.4	10	9.8	0.2	949	0.000
610829	Of other textile materials	10	5.4	4.6	10	9.1	0.9	616	0.000
610839	Of other textile materials	10	5.0	5.0	10	9.9	0.1	1871	0.000
611239	Of other textile materials	10	5.6	4.4	10	10.0	0.1	1510	0.000
611521	Of synthetic fibres, measurin	10	5.0	5.0	10	4.2	5.8	2177	0.000
62-Articles Of Apparel And Clothing Accessories, Not Knitted Or Crocheted.									
620722	Of man-made fibres	10	5.0	5.0	10	10.0	0.0	45	0.000
620729	Of other textile materials	10	5.0	5.0	10	9.1	0.9	22	0.000
620811	Of man-made fibres	10	4.4	5.6	10	6.8	3.2	63	0.000
620819	Of other textile materials	10	5.3	4.7	10	6.3	3.7	63	0.000
620930	Of synthetic fibres	10	5.8	4.2	10	9.4	0.6	1670	0.000
621112	Women's or girls'	10	5.9	4.1	10	8.9	1.1	332	0.000
63-Other Made Up Textile Articles; Sets; Worn Clothing And Worn Textile Articles; Rags									
630420	Bed nets etc.	10	5.0	5.0	10	0.0	10.0	3830	0.001
630533	Other, of Polyethylene	10	5.8	4.2	10	6.4	3.6	396	0.000

68-Articles Of Stone, Plaster, Cement, Asbestos, Mica Or Similar Materials.									
680100	Setts, curbstones and flagstones	10	5.0	5.0	10	5.4	4.6	75	0.000
681181	Corrugated sheets	10	0.0	10.0	10	0.0	10.0	5	0.000
681182	Other sheets, panels, tiles	10	5.3	4.7	10	1.1	8.9	10090	0.002
72-Iron And Steel									
721420	Containing indentations, ribs, groove	10	5.4	4.6	10	2.2	7.9	102571	0.017
721430	Other, of free-cutting steel	10	5.0	5.0	10	0.3	9.7	10566	0.002
722591	Electrolytically plated	10	5.0	5.0	10	2.5	7.5	15226	0.003
73-Articles Of Iron Or Steel									
730511	Longitudinally submerged arc welded	10	5.5	4.5	10	8.1	2.0	18675	0.003
731420	Grill, netting and fencing, welded	10	5.8	4.2	10	9.7	0.3	2513	0.000
85-Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders And Reproducers,And Parts.									
852713	Other apparatus	10	5.7	4.3	10	10.0	0.0	34597	0.006
852791	Combined with sound recording	10	5.8	4.2	10	4.2	5.8	28798	0.005
87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.									
870192	Exceeding 18 kW, etc.	10	5.5	4.6	10	0.5	9.6	25565	0.004
871610	Trailers and semi-trailers of the car	10	5.0	5.0	10	7.9	2.1	3	0.000
89-Ships, Boats And Floating Structures.									
890520	Floating or submersible drilling	10	2.5	7.5	10	1.7	8.3	1274158	0.210
90-Optical, Photographic Cinematographic Measuring, Checking Precision, Medical Or Surgical Inst. And Apparatus Parts And Accessories Thereof;									
900652	Other, for roll film	10	4.7	5.4	10	1.1	8.9	28	0.000
92-Musical Instruments; Parts And Accessories Of Such Articles.									
920110	Upright pianos	10	4.5	5.5	10	3.4	6.6	1511	0.000
920510	Brass-wind instruments	10	3.9	6.1	10	6.1	3.9	42	0.000
93-Arms And Ammunition; Parts And Accessories Thereof.									
930310	Muzzle-loading firearms	10	5.0	5.0	10	7.3	2.7	14	0.000
94-Furniture; Bedding, Mattresses, Mattress Supports, Cushions And Similar Stuffed Furnishing; Lamps And Lighting Fittings Not Elsewhere Specified Or Inc									
940152	Of bamboo	10	3.2	6.8	10	6.2	3.8	12	0.000

	940159	Other	10	6.0	4.1	10	9.1	0.9	1462	0.000
	95-Toys, Games And Sports Requisites; Parts And Accessories Thereof.									
	950631	Clubs, complete	10	5.3	4.7	10	7.2	2.8	2659	0.000
	950659	Other	10	6.0	4.0	10	7.2	2.8	27272	0.004
	950661	Lawn-tennis balls	10	5.3	4.7	10	2.4	7.6	2982	0.000
	950710	Fishing rods	10	3.4	6.6	10	7.8	2.2	421	0.000
	950720	Fish-hooks, whether or not snelled	10	4.8	5.2	10	6.5	3.5	1447	0.000
	950730	Fishing reels	10	5.0	5.0	10	7.9	2.1	265	0.000
12.5	56-Wadding, Felt And Nonwovens; Spacial Yarns; Twine, Cordage, Ropes And Cables And Articles Thereof.									
	560490	Other	12.5	8.3	4.2	12.5	11.2	1.3	3567	0.001
	72-Iron And Steel									
	720810	In coils, not further worked	12.5	8.3	4.2	12.5	10.9	1.6	67	0.000
	720826	Of a thickness of 3 mm or more	12.5	6.3	6.3	12.5	0.2	12.4	45019	0.007
	720836	Of a thickness exceeding 10 mm	12.5	7.1	5.4	12.5	0.2	12.3	79427	0.013
	720837	Of a thickness of 4,75 mm or more	12.5	8.3	4.2	12.5	1.3	11.2	215240	0.035
	720838	Of a thickness of 3 mm or more	12.5	6.8	5.7	12.5	0.6	11.9	428607	0.070
	720839	Of a thickness of less than 3	12.5	8.0	4.5	12.5	2.2	10.3	526825	0.087
	720840	Not in coils, not further work	12.5	8.3	4.2	12.5	8.0	4.5	644	0.000
	720926	Of a thickness exceeding 1 mm	12.5	6.3	6.3	12.5	8.8	3.7	1351	0.000
	720927	Of a thickness of 0,5 mm or more	12.5	7.1	5.4	12.5	0.5	12.0	991	0.000
	721041	Corrugated	12.5	4.2	8.3	12.5	0.1	12.4	10614	0.002
	721061	Plated or coated with alumini	12.5	6.7	5.8	12.5	3.0	9.5	262739	0.043
	721070	Painted, varnished or coated	12.5	8.3	4.2	12.5	4.3	8.2	274624	0.045
15	08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.									
	081060	Durians	15	0.0	15.0	15	0.0	15.0	28	0.000
	081090	Other	15	10.3	4.7	15	0.6	14.4	17128	0.003
	12-Oil Seeds And Olea. Fruits; Misc. Grains, Seeds And Fruit; Industrial Or Medicinal Plants; Straw And Fodder.									
	120930	Seeds of herbaceous plants cultivated	15	8.6	6.4	15	4.7	10.3	9167	0.002
	23-Residues And Waste From The Food Industries; Prepared Animal Foder.									
	230240	Of other cereals	15	5.0	10.0	15	0.1	15.0	10992	0.002

	230610	Of cotton seeds	15	7.5	7.5	15	0.5	14.5	4934	0.001
	230620	Of linseed	15	10.0	5.0	15	3.7	11.3	70	0.000
	230649	Other	15	0.0	15.0	15	0.0	15.0	51	0.000
	230660	Of palm nuts or kernels	15	9.4	5.6	15	12.1	2.9	3142	0.001
	230690	Other	15	8.6	6.4	15	1.2	13.8	19167	0.003
	87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.									
	871495	Saddles	15	10.4	4.6	15	12.8	2.2	886	0.000
16.67	87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.									
	871492	Wheel rims and spokes	16.7	12.1	4.6	16.67	15.4	1.3	86440	0.014
	871493	Hubs, other than coaster braking hub	16.7	9.0	7.7	16.67	14.8	1.9	3399	0.001
	871499	Other	16.7	12.0	4.7	16.67	14.7	1.9	63126	0.010
20	29-Organic Chemicals									
	290544	D-glucitol (sorbitol)	20	15.6	4.4	20	15.4	4.6	5942	0.001
	33-Essential Oils And Resinoids; Perfumery, Cosmetic Or Toilet Preparations.									
	330129	Other	20	15.2	4.8	20	10.5	9.5	137408	0.023
	330130	Resinoids	20	15.3	4.7	20	19.3	0.7	3649	0.001
	330190	Other	20	15.1	4.9	20	18.0	2.0	73144	0.012
	330410	Lip make-up preparations	20	15.4	4.6	20	18.4	1.6	38678	0.006
	330420	Eye make-up preparations	20	15.5	4.5	20	17.7	2.3	32662	0.005
	330491	Powders, whether or not compressed	20	14.8	5.2	20	17.2	2.8	18043	0.003
	330510	Shampoos	20	15.1	4.9	20	13.3	6.8	26751	0.004
	330590	Other	20	15.7	4.3	20	13.5	6.5	52223	0.009
	330610	Dentifrices	20	14.6	5.4	20	3.8	16.2	10993	0.002
	330620	Yarn used to clean between the	20	12.8	7.2	20	8.3	11.7	1053	0.000
	330710	Pre-shave, shaving or aftershave prep	20	15.9	4.2	20	16.1	3.9	3052	0.001
	330730	Perfumed bath salts and other bath pr	20	14.6	5.5	20	14.8	5.3	3545	0.001
	330741	'Agarbatti' and other odoriferous preparations	20	14.4	5.6	20	6.3	13.8	102050	0.017
	330749	Other	20	15.8	4.2	20	9.5	10.5	13779	0.002
	330790	Other	20	13.8	6.2	20	14.8	5.2	12064	0.002
	35-Albuminoidal Substances; Modified Starches; Glues; Enzymes.									
	350110	Casein	20	15.6	4.4	20	11.7	8.3	435	0.000
	350211	Dried	20	12.8	7.3	20	5.5	14.5	76	0.000

64-Footwear, Gaiters And The Like; Parts Of Such Articles.									
640220	Footwear with upper straps or thongs	20	15.0	5.0	20	19.2	0.8	29059	0.005
640291	Covering the ankle	20	15.2	4.8	20	15.5	4.5	5958	0.001
640299	Other	20	15.9	4.1	20	16.3	3.7	213542	0.035
640320	Footwear with outer soles of leather,	20	15.4	4.6	20	19.8	0.2	9477	0.002
640399	Other	20	14.9	5.1	20	14.5	5.5	57581	0.009
640411	Sports footwear; tennis shoes	20	15.3	4.7	20	12.8	7.2	146274	0.024
640420	Footwear with outer soles of leather	20	15.6	4.4	20	17.3	2.7	1289	0.000
640520	With uppers of textile materials	20	15.3	4.7	20	19.9	0.1	30344	0.005
640590	Other	20	15.3	4.7	20	19.6	0.4	39589	0.007
71-Natural Or Cultured Pearls,Precious Or Semiprecious Stones,Pre.Metals,Clad With Pre. Metal And Artcls Thereof; Imit.Jewelry;Coin.									
711711	Cuff links and studs	20	15.7	4.3	20	19.5	0.5	1119	0.000
711719	Other	20	13.6	6.4	20	18.7	1.3	11880	0.002
711790	Other	20	15.0	5.0	20	15.5	4.5	35472	0.006
87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.									
871200	Bicycles and other cycles	20	14.4	5.6	20	8.5	11.5	68474	0.011
871491	Frames and forks, and parts thereof	20	14.2	5.8	20	18.8	1.2	62241	0.010
95-Toys, Games And Sports Requisites; Parts And Accessories Thereof.									
950510	Articles for Christmas festivities	20	14.4	5.6	20	19.5	0.5	2844	0.000
25	08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.								
080940	Plums and sloes	25	19.2	5.8	25	24.6	0.4	5069	0.001
34-Soap, Organic Surface-Active Agents, Washing Preparations, Lubricating Preparations, Artificial Waxes, Prepared Waxes, Polishing Or Scouring Prep.									
340600	Candles, tapers and the like	25	19.7	5.4	25	24.8	0.2	5089	0.001
89-Ships, Boats And Floating Structures.									
890391	Sailboats,	25	15.0	10.0	25	18.3	6.7	98	0.000
890392	Motor boats,	25	18.8	6.3	25	24.7	0.3	423	0.000
25.71	15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxex.								
151800	Animal or vegetable fats and oils	25.7	21.0	4.7	25.71	25.5	0.2	13016	0.002
26.67	87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.								
870432	Of a gross vehicle weight exceeding	26.7	2.4	24.3	26.67	2.4	24.3	33	0.000

27.5	15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxex.									
	151710	Margarine, excluding liquid margarine	27.5	22.6	4.9	27.5	27.4	0.1	133	0.000
29.6	13-Lac; Gums, Resins And Other Vegetable Saps And Extracts.									
	130190	Other	29.6	19.0	10.6	29.6	1.7	27.9	175575	0.029
30	01-Live Animals.									
	010129	Other	30	23.3	6.7	30	29.9	0.1	4772	0.001
	010190	Other	30	21.0	9.0	30	22.7	7.4	3	0.000
	010290	Other	30	24.6	5.5	30	24.6	5.4	3	0.000
	010620	Reptiles (including snakes)	30	15.0	15.0	30	1.3	28.7	0	0.000
	02-Meat And Edible Meat Offal.									
	020319	Other	30	20.0	10.0	30	29.7	0.3	453	0.000
	020322	Hams, shoulders and cuts thereof,	30	24.0	6.0	30	28.8	1.2	369	0.000
	020329	Other	30	20.0	10.0	30	29.1	0.9	1642	0.000
	020649	Other	30	20.0	10.0	30	20.3	9.8	41	0.000
	020725	Not cut in pieces, frozen	30	15.0	15.0	30	11.4	18.6	59	0.000
	020727	Cuts and offal, frozen	30	0.0	30.0	30	0.0	30.0	9	0.000
	020742	Not cut in pieces, frozen	30	0.0	30.0	30	0.0	30.0	435	0.000
	020745	Other, frozen	30	0.0	30.0	30	0.0	30.0	108	0.000
	03-Fish And Crustaceans, Molluscs And Other Aquatic Invertabrates.									
	030111	Freshwater fish	30	5.0	25.0	30	0.2	29.8	270	0.000
	030119	Other	30	8.7	21.3	30	1.1	28.9	182	0.000
	030193	Carp (Cyprinus spp., Carassius spp.)	30	0.0	30.0	30	0.0	30.0	3	0.000
	030199	Other	30	11.8	18.2	30	0.3	29.7	5026	0.001
	030219	Other	30	0.0	30.0	30	0.0	30.0	33	0.000
	030244	Mackerel (Scomber scombrus)	30	0.0	30.0	30	0.0	30.0	12	0.000
	030279	Other	30	2.5	27.5	30	0.2	29.9	4658	0.001
	030289	Other	30	0.0	30.0	30	0.0	30.0	10438	0.002
	030312	Other Pacific salmon	30	4.1	25.9	30	7.5	22.5	416	0.000
	030319	Other	30	10.0	20.0	30	19.5	10.5	261	0.000
	030325	Carp	30	0.0	30.0	30	0.0	30.0	694	0.000
	030326	Eels (Anguilla spp.)	30	0.0	30.0	30	0.0	30.0	4	0.000
	030329	Other	30	0.0	30.0	30	0.0	30.0	65	0.000
	030342	Yellowfin tuna (Thunnus albacares)	30	15.0	15.0	30	8.0	22.0	116	0.000
	030363	Cod	30	4.1	25.9	30	3.4	26.7	208	0.000
	030369	Other	30	20.0	10.0	30	30.0	0.0	2216	0.000

030381	Dogfish and other sharks	30	0.0	30.0	30	0.0	30.0	142	0.000
030384	Sea bass (Dicentrarchus spp.)	30	4.1	25.9	30	0.2	29.8	769	0.000
030389	Other	30	23.4	6.6	30	7.6	22.4	6040	0.001
030391	Livers, roes and milt	30	8.2	21.8	30	8.2	21.8	9	0.000
030433	Nile perch (Lates niloticus)	30	15.0	15.0	30	23.1	6.9	23	0.000
030439	Other	30	15.0	15.0	30	21.3	8.7	308	0.000
030449	Other	30	15.0	15.0	30	5.1	24.9	190	0.000
030461	Tilapias (Oreochromis spp.)	30	0.0	30.0	30	0.0	30.0	561	0.000
030471	Cod	30	22.5	7.5	30	8.5	21.5	47	0.000
030475	Alaska pollock	30	0.0	30.0	30	0.0	30.0	78	0.000
030481	Pacific salmon	30	25.7	4.3	30	17.6	12.4	1509	0.000
030493	Tilapias (Oreochromis spp.),	30	15.0	15.0	30	25.5	4.5	941	0.000
030539	Other	30	0.0	30.0	30	0.0	30.0	38	0.000
030541	Pacific salmon	30	25.0	5.0	30	20.5	9.5	935	0.000
030542	Herrings	30	0.0	30.0	30	0.0	30.0	16	0.000
030559	Other	30	15.0	15.0	30	0.3	29.7	3112	0.001
030612	Lobsters (Homarus spp.)	30	15.0	15.0	30	27.3	2.7	127	0.000
030614	Crabs	30	16.8	13.2	30	9.9	20.1	204	0.000
030616	Cold-water shrimps and prawns	30	25.0	5.0	30	28.8	1.2	16783	0.003
030722	Frozen	30	17.1	13.0	30	26.7	3.3	573	0.000
030729	Other	30	12.7	17.3	30	1.7	28.4	192	0.000
030731	Live, fresh or chilled	30	20.0	10.0	30	23.1	6.9	23	0.000
030739	Other	30	22.5	7.5	30	18.3	11.7	162	0.000
030742	Live, fresh or chilled	30	0.0	30.0	30	0.0	30.0	107	0.000
030749	Other	30	25.7	4.3	30	29.0	1.0	1364	0.000
030759	Other	30	4.1	25.9	30	0.3	29.7	5	0.000
030890	Other	30	0.0	30.0	30	0.0	30.0	8	0.000
04-Dairy Produce; Birds' Eggs; Natural Honey; Edible Prod. Of Animal Origin, Not Elsewhere Spec. Or Included.									
040110	Of a fat content, by weight	30	0.0	30.0	30	0.0	30.0	9	0.000
040120	Of a fat content, by weight	30	25.0	5.0	30	3.8	26.2	966	0.000
040310	Yogurt	30	24.0	6.0	30	17.2	12.8	50	0.000
040390	Other	30	15.0	15.0	30	1.4	28.7	867	0.000
05-Products Of Animal Origin, Not Elsewhere Specified Or Included.									
050100	Human hair, unworked	30	15.0	15.0	30	3.4	26.6	1320	0.000

050610	Ossein and bones treated with acid	30	15.0	15.0	30	0.1	30.0	180	0.000
050690	Other	30	22.5	7.5	30	23.8	6.2	336	0.000
050790	Other	30	16.3	13.8	30	20.4	9.6	41	0.000
050800	Coral and similar materials, unworked	30	21.0	9.0	30	22.5	7.5	8097	0.001
06-Live Trees And Other Plants; Bulbs; Roots And The Like; Cut Flowers And Ornamental Foliage.									
060490	Other	30	25.7	4.3	30	23.8	6.2	781	0.000
07-Edible Vegetables And Certain Roots And Tubers.									
070190	Other	30	15.0	15.0	30	27.6	2.4	159	0.000
070390	Leeks and other alliaceous vegetables	30	15.0	15.0	30	11.7	18.3	2	0.000
070410	Cauliflowers and headed broccoli	30	0.0	30.0	30	0.0	30.0	1	0.000
070490	Other	30	0.0	30.0	30	0.0	30.0	125	0.000
070511	Cabbage lettuce (head lettuce)	30	15.0	15.0	30	17.9	12.1	5	0.000
070519	Other	30	15.0	15.0	30	8.4	21.6	3	0.000
070920	Asparagus	30	15.0	15.0	30	0.7	29.3	1056	0.000
070951	Mushrooms of the genus Agaricus	30	0.0	30.0	30	0.0	30.0	0	0.000
070999	Other	30	15.0	15.0	30	0.1	29.9	282	0.000
071159	Other	30	22.5	7.5	30	23.9	6.1	311	0.000
071190	Other vegetables; mixtures of vegetables	30	24.0	6.0	30	23.4	6.6	2203	0.000
071231	Mushrooms of the genus Agaric	30	20.0	10.0	30	6.2	23.9	19	0.000
071239	Other	30	15.0	15.0	30	8.9	21.1	531	0.000
071331	Beans of the species Vigna mungo	30	17.7	12.3	30	4.6	25.4	281663	0.046
071333	Kidney beans, including white pea beans	30	18.6	11.4	30	22.1	7.9	133028	0.022
071335	Cow peas (Vigna unguiculata)	30	20.0	10.0	30	21.2	8.9	37996	0.006
071339	Other	30	10.7	19.3	30	14.5	15.5	9886	0.002
071350	Broad beans (Vicia faba var. major)	30	22.5	7.5	30	29.7	0.3	1824	0.000
071360	Pigeon peas (Cajanus cajan)	30	13.6	16.4	30	2.8	27.3	226060	0.037
071390	Other	30	21.4	8.6	30	11.0	19.0	3430	0.001
08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.									
080131	In shell	30	13.6	16.4	30	11.8	18.2	1977549	0.325
080231	In shell	30	18.3	11.7	30	29.7	0.3	55626	0.009

080232	Shelled	30	23.3	6.7	30	13.8	16.2	2370	0.000
080410	Dates	30	24.3	5.7	30	19.8	10.3	324748	0.053
080420	Figs	30	24.0	6.0	30	0.2	29.9	89673	0.015
080440	Avocados	30	23.6	6.4	30	29.9	0.1	977	0.000
080450	Guavas, mangoes and mangosteens	30	23.0	7.1	30	24.9	5.1	1366	0.000
080529	Other	30	5.0	25.0	30	5.0	25.0	33	0.000
080711	Watermelons	30	15.0	15.0	30	7.2	22.8	10	0.000
080719	Other	30	15.0	15.0	30	16.2	13.8	326	0.000
080910	Apricots	30	23.3	6.7	30	17.9	12.1	435	0.000
080930	Peaches, including nectarines	30	24.6	5.5	30	29.7	0.3	472	0.000
081010	Strawberries	30	20.0	10.0	30	7.0	23.0	176	0.000
081020	Raspberries, blackberries, mulberries	30	20.0	10.0	30	30.0	0.1	33	0.000
081040	Cranberries, bilberries and other fruits	30	22.5	7.5	30	15.4	14.6	92	0.000
081190	Other	30	23.8	6.3	30	16.7	13.3	1197	0.000
081310	Apricots	30	21.7	8.3	30	2.8	27.3	36488	0.006
081330	Apples	30	15.0	15.0	30	29.7	0.3	1105	0.000
081340	Other fruit	30	24.3	5.7	30	8.3	21.7	4253	0.001
09-Coffee, Tea, Mate And Spices.									
090611	Cinnamon (Cinnamomum zeylanic	30	14.4	15.6	30	0.7	29.3	8903	0.001
090619	Other	30	5.0	25.0	30	3.3	26.7	74960	0.012
090620	Crushed or ground	30	7.5	22.5	30	4.9	25.1	152	0.000
090811	Neither crushed nor ground	30	21.5	8.6	30	7.4	22.6	6683	0.001
090812	Crushed or ground	30	25.7	4.3	30	25.4	4.6	377	0.000
090821	Neither crushed nor ground	30	10.0	20.0	30	4.3	25.7	22481	0.004
090822	Crushed or ground	30	17.5	12.5	30	5.1	24.9	1348	0.000
090961	Neither crushed nor ground	30	23.7	6.4	30	2.4	27.6	55977	0.009
091020	Saffron	30	23.3	6.7	30	2.2	27.8	22708	0.004
11-Products Of The Milling Industry; Malt; Starches; Inulin; Wheat Gluten.									
110290	Other	30	24.6	5.5	30	22.1	7.9	223	0.000
110419	Of other cereals	30	20.0	10.0	30	23.2	6.9	169	0.000
110422	Of oats	30	23.8	6.3	30	29.8	0.2	14178	0.002
110520	Flakes, granules and pellets	30	25.0	5.0	30	10.5	19.5	1888	0.000
12-Oil Seeds And Olea. Fruits; Misc. Grains, Seeds And Fruit; Industrial Or Medicinal Plants; Straw And Fodder.									

120190	Other	30	17.1	12.9	30	3.5	26.5	103430	0.017
120241	In shell	30	15.0	15.0	30	26.0	4.0	35	0.000
120729	Other	30	7.5	22.5	30	0.9	29.1	2827	0.000
120770	Melon seeds	30	23.9	6.1	30	29.6	0.4	87836	0.014
121120	Ginseng roots	30	22.5	7.5	30	29.8	0.2	133	0.000
121190	Other	30	22.1	7.9	30	14.3	15.7	97398	0.016
121221	Fit for human consumption	30	13.5	16.5	30	24.7	5.3	4219	0.001
121300	Cereal straw and husks, unprepared,	30	15.0	15.0	30	0.3	29.8	280	0.000
13-Lac; Gums, Resins And Other Vegetable Saps And Extracts.									
130120	Gum Arabic	30	18.3	11.7	30	16.4	13.6	27928	0.005
130219	Other	30	20.6	9.4	30	24.5	5.5	40140	0.007
130220	Pectic substances, pectinates	30	25.7	4.3	30	27.7	2.3	15795	0.003
130231	Agar-agar	30	25.4	4.6	30	23.2	6.8	9869	0.002
130232	Mucilages and thickeners	30	21.7	8.3	30	23.6	6.4	8828	0.001
130239	Other	30	22.0	8.0	30	25.7	4.3	15529	0.003
14-Vegetable Plaiting Materials; Vegetable Products Not Elsewhere Specified Or Included.									
140120	Rattans	30	22.5	7.5	30	29.2	0.8	620	0.000
140190	Other	30	10.0	20.0	30	0.5	29.5	702	0.000
140420	Cotton linters	30	15.0	15.0	30	29.6	0.4	617	0.000
140490	Other	30	14.3	15.7	30	0.3	29.7	14759	0.002
15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxex.									
152110	Vegetable waxes	30	21.4	8.6	30	26.4	3.6	4141	0.001
152190	Other	30	19.9	10.1	30	3.8	26.3	4243	0.001
16-Preparations Of Meat, Of Fish Or Of Crustaceans, Molluscs Or Other Aquatic Invertebrates									
160231	Of turkeys	30	23.8	6.3	30	27.2	2.8	81	0.000
160239	Other	30	20.0	10.0	30	4.5	25.5	70	0.000
160241	Hams and cuts thereof	30	24.0	6.0	30	23.5	6.5	616	0.000
160242	Shoulders and cuts thereof	30	24.0	6.0	30	25.8	4.2	69	0.000
160249	Other, including mixtures	30	24.0	6.0	30	11.4	18.6	2041	0.000
160300	Extracts and juices of meat, fish or cr	30	22.5	7.5	30	29.9	0.1	494	0.000
160411	Salmon	30	20.0	10.0	30	11.5	18.5	83	0.000
160413	Sardines, sardinella and brisling	30	15.0	15.0	30	2.1	27.9	78	0.000
160415	Mackerel	30	15.0	15.0	30	2.9	27.1	36	0.000
160417	Eels	30	8.2	21.8	30	8.2	21.8	1	0.000
160420	Other prepared or preserved fish	30	22.7	7.3	30	25.7	4.3	155	0.000

160559	Other	30	8.2	21.8	30	8.2	21.8	21	0.000
160569	Other	30	12.7	17.3	30	28.2	1.8	446	0.000
17-Sugars And Sugar Confectionery.									
170290	Other, including invert sugar	30	23.1	6.9	30	27.6	2.5	4375	0.001
170410	Chewing gum, whether or not sugar-coated	30	24.4	5.7	30	25.9	4.1	1261	0.000
170490	Other	30	24.5	5.5	30	17.1	12.9	24946	0.004
18-Cocoa And Cocoa Preparations.									
180100	Cocoa beans, whole or broken	30	22.8	7.2	30	27.7	2.3	89603	0.015
180200	Cocoa shells, husks, skins and other coated	30	0.0	30.0	30	0.0	30.0	6	0.000
180310	Not defatted	30	23.9	6.1	30	26.0	4.0	21902	0.004
180400	Cocoa butter, fat and oil	30	21.0	9.0	30	0.2	29.8	52904	0.009
180500	Cocoa powder, not containing added sugar	30	22.5	7.5	30	2.9	27.2	60786	0.010
180610	Cocoa powder, containing added sugar	30	21.8	8.2	30	0.5	29.6	4767	0.001
180620	Other preparations in blocks, slabs	30	22.5	7.5	30	12.0	18.0	15259	0.003
180632	Not filled	30	19.9	10.1	30	11.8	18.2	2408	0.000
19-Preparations Of Cereals, Flour, Starch Or Milk; Pastrycooks Products.									
190120	Mixes and doughs for the preparation	30	22.5	7.5	30	15.5	14.5	3541	0.001
190190	Other	30	24.2	5.8	30	16.4	13.6	2306	0.000
190211	Containing eggs	30	8.2	21.8	30	8.2	21.8	1	0.000
190219	Other	30	16.3	13.7	30	24.9	5.1	4468	0.001
190220	Stuffed pasta, whether or not cooked	30	18.1	11.9	30	11.2	18.8	261	0.000
190230	Other pasta	30	18.3	11.7	30	10.1	19.9	13601	0.002
190240	Couscous	30	18.4	11.6	30	9.1	20.9	1251	0.000
190410	Prepared foods obtained by the swelli	30	23.4	6.6	30	17.0	13.0	1050	0.000
190510	Crispbread	30	24.0	6.0	30	3.7	26.3	364	0.000
190531	Sweet biscuits	30	19.7	10.4	30	4.6	25.4	10968	0.002
190532	Waffles and wafers	30	22.7	7.3	30	9.1	20.9	8505	0.001
190540	Rusks, toasted bread and similar toast	30	20.0	10.0	30	3.3	26.7	8180	0.001
190590	Other	30	22.3	7.8	30	9.4	20.6	17406	0.003

20-Preparations Of Vegetables, Fruit, Nuts Or Other Parts Of Plants.									
200110	Cucumbers and gherkins	30	24.2	5.9	30	29.9	0.1	544	0.000
200190	Other	30	21.9	8.1	30	24.9	5.1	1377	0.000
200390	Other	30	21.5	8.5	30	29.6	0.4	167	0.000
200490	Other vegetables and mixtures of vegetables	30	20.9	9.1	30	11.9	18.1	992	0.000
200710	Homogenised preparations	30	20.0	10.0	30	1.4	28.6	1650	0.000
200791	Citrus fruit	30	22.5	7.5	30	27.3	2.8	115	0.000
200799	Other	30	22.2	7.8	30	25.7	4.3	9370	0.002
200811	Groundnuts	30	21.4	8.6	30	15.5	14.5	1843	0.000
200820	Pineapples	30	16.7	13.3	30	0.1	29.9	2559	0.000
200880	Strawberries	30	25.7	4.3	30	29.8	0.2	1600	0.000
200912	Not frozen	30	22.5	7.5	30	24.6	5.4	317	0.000
21-Miscellaneous Edible Preparations.									
210220	Inactive yeasts	30	23.8	6.2	30	14.7	15.3	3424	0.001
210230	Prepared baking powders	30	24.0	6.0	30	29.6	0.4	186	0.000
210310	Soya sauce	30	16.1	13.9	30	19.2	10.8	2155	0.000
210320	Tomato ketchup and other tomato sauce	30	18.5	11.5	30	27.0	3.0	943	0.000
210330	Mustard flour and meal and prepared	30	24.2	5.8	30	29.6	0.4	768	0.000
210390	Other	30	20.2	9.8	30	14.9	15.1	20143	0.003
210410	Soups and broths and preparations	30	24.5	5.5	30	21.7	8.3	190	0.000
210420	Homogenised composite food preparations	30	15.0	15.0	30	29.6	0.4	72	0.000
210500	Ice cream and other edible ice	30	24.6	5.5	30	10.6	19.4	6342	0.001
210610	Protein concentrates and textured	30	25.7	4.3	30	29.9	0.1	91445	0.015
22-Beverages, Spirits And Vinegar.									
220110	Mineral waters and aerated waters	30	23.7	6.3	30	17.8	12.2	2956	0.000
220210	Waters, including mineral waters	30	20.8	9.2	30	7.6	22.4	4782	0.001
220299	Other	30	21.2	8.8	30	8.4	21.6	125201	0.021
220720	Ethyl alcohol and other spirits	30	23.9	6.1	30	29.8	0.2	333181	0.055
220900	Vinegar and substitutes for vinegar	30	23.2	6.8	30	29.5	0.6	4814	0.001

	23-Residues And Waste From The Food Industries; Prepared Animal Foder.									
	230210	Of maize (corn)	30	15.0	15.0	30	23.4	6.6	994	0.000
	230230	Of wheat	30	0.0	30.0	30	0.0	30.0	288	0.000
	230250	Of leguminous plants	30	15.0	15.0	30	0.1	30.0	2078	0.000
	230310	Residues of starch manufacture	30	15.0	15.0	30	4.8	25.2	3183	0.001
	230320	Beet-pulp, bagasse and other waste	30	0.0	30.0	30	0.0	30.0	41	0.000
	230330	Brewing or distilling dregs and waste	30	0.0	30.0	30	0.0	30.0	264	0.000
	230800	(2002-) Vegetable materials and vegetables	30	12.0	18.0	30	3.2	26.8	692	0.000
32.5	15-Animal Or Vegetable Fats And Oils And Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxex.									
	150790	Other	32.5	26.6	5.9	32.5	2.5	30.0	13130	0.002
33	20-Preparations Of Vegetables, Fruit, Nuts Or Other Parts Of Plants.									
	200819	Other, including mixtures	33	22.2	10.8	33	13.4	19.6	25574	0.004
35	09-Coffee, Tea, Mate And Spices.									
	090710	Neither crushed nor ground	35	14.6	20.4	35	0.7	34.3	182128	0.030
	090720	Crushed or ground	35	17.5	17.5	35	11.8	23.2	43	0.000
40	04-Dairy Produce; Birds' Eggs; Natural Honey; Edible Prod. Of Animal Origin, Not Elsewhere Spec. Or Included.									
	040590	Other	40	26.7	13.3	40	0.8	39.2	1311	0.000
50	08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.									
	080810	Apples	50	45.8	4.2	50	49.0	1.0	364423	0.060
	10-Cereals.									
	100510	Seed	50	45.8	4.2	50	41.6	8.4	371	0.000
	11-Products Of The Milling Industry; Malt; Starches; Inulin; Wheat Gluten.									
	110814	Manioc (cassava) starch	50	40.0	10.0	50	20.3	29.7	5235	0.001
	19-Preparations Of Cereals, Flour, Starch Or Milk; Pastrycooks Products.									
	190110	Preparations suitable for infants	50	35.2	14.8	50	14.1	35.9	33244	0.005
	20-Preparations Of Vegetables, Fruit, Nuts Or Other Parts Of Plants.									
	200921	Of a Brix value not exceeding	50	29.1	20.9	50	50.0	0.0	72	0.000
	200929	Other	50	31.6	18.4	50	10.7	39.3	38	0.000
	200931	Of a Brix value not exceeding	50	25.0	25.0	50	37.7	12.3	13	0.000
	200939	Other	50	45.5	4.6	50	49.8	0.2	3566	0.001
	200941	Of a Brix value not exceeding	50	20.0	30.0	50	2.7	47.3	286	0.000

	200949	Other	50	45.0	5.0	50	49.8	0.2	1037	0.000
	200950	Tomato juice	50	44.4	5.6	50	14.4	35.6	206	0.000
	200961	Of a Brix value not exceeding	50	0.0	50.0	50	0.0	50.0	2	0.000
	200971	Of a Brix value not exceeding	50	21.6	28.4	50	1.6	48.4	355	0.000
	200979	Other	50	41.7	8.3	50	49.6	0.4	15526	0.003
	200989	Other	50	38.4	11.6	50	39.4	10.6	21579	0.004
	200990	Mixtures of juices	50	39.9	10.1	50	28.0	22.0	751	0.000
53.33	07-Edible Vegetables And Certain Roots And Tubers.									
	071320	Chickpeas (garbanzos)	53.3	35.6	17.8	53.33	44.5	8.8	187208	0.031
60	04-Dairy Produce; Birds' Eggs; Natural Honey; Edible Prod. Of Animal Origin, Not Elsewhere Spec. Or Included.									
	040900	Natural honey	60	54.8	5.2	60	58.2	1.8	4047	0.001
65.56	09-Coffee, Tea, Mate And Spices.									
	090411	Neither crushed nor ground	65.6	53.7	11.9	65.56	30.1	35.4	164602	0.027
70	08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.									
	080111	Desiccated	70	59.7	10.3	70	8.9	61.1	2130	0.000
	080119	Other	70	49.3	20.7	70	69.6	0.4	40	0.000
	09-Coffee, Tea, Mate And Spices.									
	090831	Neither crushed nor ground	70	49.0	21.0	70	8.0	62.0	60118	0.010
	090832	Crushed or ground	70	60.0	10.0	70	69.8	0.2	2169	0.000
	10-Cereals.									
	100630	Semi-milled or wholly milled rice	70	65.9	4.1	70	69.4	0.7	4598	0.001
	12-Oil Seeds And Olea. Fruits; Misc. Grains, Seeds And Fruit; Industrial Or Medicinal Plants; Straw And Fodder.									
	120300	Copra	70	59.5	10.5	70	59.5	10.5	19244	0.003
	40-Rubber And Articles Thereof.									
	400110	Natural rubber latex	70	65.7	4.3	70	69.4	0.6	11196	0.002
80	10-Cereals.									
	100610	Rice in the husk (paddy or rough)	80	66.7	13.3	80	35.9	44.1	188	0.000
	100640	Broken rice	80	53.3	26.7	80	15.7	64.3	53	0.000
100	07-Edible Vegetables And Certain Roots And Tubers.									
	070320	Garlic	100	50.0	50.0	100	41.2	58.8	30	0.000
	08-Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.									
	080280	Areca nuts	100	60.0	40.0	100	25.0	75.0	61628	0.010
	080290	Other	100	42.9	57.1	100	96.0	4.0	17608	0.003
	080620	Dried	100	89.0	11.0	100	1.8	98.3	120596	0.020

09-Coffee, Tea, Mate And Spices.										
090111	Not decaffeinated	100	94.6	5.4	100	65.0	35.0	172190	0.028	
090190	Other	100	90.0	10.0	100	98.5	1.5	211	0.000	
090210	Green tea (not fermented)	100	85.7	14.3	100	55.5	44.5	502	0.000	
090220	Other green tea (not fermented)	100	84.4	15.6	100	94.3	5.7	4993	0.001	
090230	Black tea (fermented) partly fermented	100	80.8	19.2	100	65.1	34.9	677	0.000	
090240	Other black tea (fermented) and other	100	81.2	18.8	100	81.0	19.0	26401	0.004	
16-Preparations Of Meat, Of Fish Or Of Crustaceans, Molluscs Or Other Aquatic Invertebrates										
160100	Sausages and similar products, of meat,	100	75.0	25.0	100	6.6	93.4	405	0.000	
17-Sugars And Sugar Confectionery.										
170113	Cane sugar	100	91.9	8.1	100	95.6	4.4	8	0.000	
87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.										
871120	With reciprocating internal combustion	100	95.2	4.8	100	92.1	7.9	2149	0.000	
871130	With reciprocating internal combustion	100	82.2	17.8	100	80.9	19.2	2722	0.000	
871140	With reciprocating internal combustion	100	94.1	5.9	100	100.0	0.0	9348	0.002	
871150	With reciprocating internal combustion	100	80.0	20.0	100	67.0	33.0	40440	0.007	
871160	With electric motor for propulsion	100	86.4	13.6	100	99.5	0.5	2199	0.000	
871190	Other	100	78.8	21.2	100	98.6	1.4	202	0.000	
125	87-Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.									
870310	Vehicles specially designed for travel	125	107.1	17.9	125	85.3	39.8	3357	0.001	
870324	Of a cylinder capacity exceeding 300	125	114.6	10.4	125	124.6	0.4	56634	0.009	
870380	Other vehicles	125	111.1	13.9	125	124.4	0.6	19102	0.003	
150	21-Miscellaneous Edible Preparations.									
210690	Other	150	130.6	19.4	150	138.8	11.2	83514	0.014	

Source: Compiled from WITS database.

Methodology Note :India's Simple Average MFN and AHS Tariffs at 6 digit level in 2018 are grouped under different Tariff Rates and under the 2 digit codes based on the criteria that MFN Tariff $\geq 10\%$, and MFN-AHS > 4 Percentage Points.

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Select Databases

WITS database.
WTO database
USITC database
CUSTADA database

Acronyms

AA	Advance Authorization
ADB	Asian Development Bank
ADD	Anti-Dumping Duty
AEPC	Apparel Export Promotion Council
AHS	effective tariffs
AIREA	All India Rice Exporters Association
AITIGA	ASEAN Trade in Goods Agreement
AoA	Agreement on Agriculture
APEDA	Agricultural & Processed Food Products Export Development Authority
APTA	Asia Pacific Trade Agreement
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
ATMA	Automotive Tyre Manufacturers Association
AVE	Ad Valorem Equivalent
BCD	Basic Custom Duty
BTP	Bio-Technology Parks
CAGR	Compound Annual Growth Rate
CAMPCO	Central Arecanut and Cocoa Marketing and Processing Co-operative Limited
CECA	Comprehensive Economic Cooperation Agreement
CEPA	Comprehensive Economic Partnership Agreement
CEPC	Carpet Export Promotion Council
CHEMEXCIL	Chemicals Export Promotion Council
CLE	Council for Leather Exports
CPO	Crude Palm Oil
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CUSTADA	Customs Tariff Database
CVD	Countervailing Duty
DFIS	Duty-Free Imports for Exporters Scheme
DGTR	Directorate General of Trade Remedies
DoC	Department of Commerce
DOR	Department of Revenue
ECB	European Central Bank
EDI	Electronic Data Interchange
EEPC	Engineering Export Promotion Council
EHS	Early Harvest Scheme
EHTP	Electronics Hardware Technology Parks
EOUs	Export Oriented Units
EPCG	Export Promotion Capital Goods Scheme
EPCG	Export Promotion Capital Goods
ESC	Electronics and Computer Software - Export Promotion Council
ETCA	Economic and Technical Cooperation Agreements
ETCA	Economic and Technology Cooperation Agreement

EU	European Union
FDI	Foreign Direct Investment
FTAs	Free Trade Agreements
FTTH	Fiber to The Home
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
GST	Goods and Services Tax
GSTP	Global System of Trade Preferences
GVCs	Global Value Chains
HDPE	High Density Polyethylene
IATA	International Air Transport Association
ICES	Indian Customs Electronic Data Interchange System
ICRIER	Indian Council for Research on International Economic Relations
IGST	Integrated Goods and Services Tax
IMF	International Monetary Fund
INSA	Indian National Shipowners' Association
IOPEPC	Indian Oilseeds and Produce Export Promotion Council
IP	Intellectual Property
ISLFTA	Indo Sri Lanka Free Trade Agreement
ITA-1	Information Technology Agreement 1
ITTNC	India-Thailand Trade Negotiation committee
JPDEPC	Jute Products Development & Export Promotion Council
KCCI	Kanara Chamber of Commerce & Industry
LAC	Latin America and the Caribbean
LDCs	Least Developed Countries
MAIT	Manufacturers Association for Information Technology
MEIS	Merchandise Exports from India Scheme
MERCUSOR	Southern Common Market
METI	Ministry of Economy, Trade and Industry, Japan
MFN	Most Favored Nations
MIP	Minimum Import Price
NBT	Nation Building Tax
NICs	Newly Industrialized Countries
NIPFP	National Institute of Public Finance and Policy
NR	Natural Rubber
OECD	Organisation for Economic Co-operation and Development
OF	Optical Fiber
OFC	Optical Fiber Cables
OLT	Optical Line Termination
ONU	Optical Network Unit
PAL	Ports and Airport Development Levy
PIIE	Peterson Institute for International Economics
PMP	Phased Manufacturing Programme

PON	Passive Optical Network Products
PTA	Preferential Trade Agreement
QRs	Quantitative Restrictions
RCEP	Regional Comprehensive Economic Partnership
RoO	Rules of Origin
RPO	Refined Palm oil
RTAs	Regional Trade Agreement
SAARC	South Asian Association for Regional Cooperation
SAD	Special Additional Duties
SEIS	Service Export Incentive Scheme
SEZs	Special Economic Zones
SGEPC	The Sports Goods Export Promotion Council
SGJMA	SEEPZ Gems & Jewellery Manufacturers' Association
SWS	Social Welfare Surcharge
TEMA	Telecom Equipments Manufacturers Association of India
TEPA	Trade and Economic Partnership Agreement
TEXPROCIL	The Cotton Textiles Export Promotion Council
TiVA	Trade in Value Added
TNC	Trade Negotiation Committee
TPMM	Trade Policy Making and Monitoring
TRAINS	Trade Analysis Information System of UNCTAD
ITC	Input Tax Credit
TRQ	Tariff Rate Quota
UNCTAD	United Nations Conference on Trade and Development
UPASI	The United Planters Association of South India
USTR	United States Trade Representative
VAT	Value Added Tax
WEO	World Economic Outlook
WITS	World Integrated Trade Solution
WTO	World Trade Organisation

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