

# Import Regulation Policy of India

A General Survey

May 2023



# India's Foreign Trade Policy 2023

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India's Foreign Trade Policy (FTP) 2023 launched on 31<sup>st</sup> March, 2023 to promote exports and facilitate ease of doing business for exporters, while also placing a stronger emphasis on the "export control" regime. The policy is built on the principles of trust and partnership with exporters and is based on four pillars:

1. Incentive to Remission,
2. Export Promotion through Collaboration,
3. Ease of Doing Business, and
4. Emerging Areas.

The policy is based on the continuity of time-tested schemes while being responsive to the emerging needs of the time.<sup>[1]</sup>

Commerce Ministry told that instead of a policy lasting for five years, the new FTP will adopt a 'long-term' focus. There is no end date to the policy and will be updated as and when necessary.<sup>[2]</sup>

The FTP 2023 has outlined a slew of measures like extending all FTP benefits to e-commerce exports, and doubling the value limit for exports through courier to INR 1 million (~US\$ 12,090) per consignment, with estimates pegging the potential of growth in e-commerce exports to USD 200-300 billion by 2030.

FTP's objective is of raising the country's outward shipments to US\$ 2 trillion by 2030, pushing the rupee trade and incentivising e-commerce exports.<sup>[3]</sup>

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[1]: <https://www.investindia.gov.in/team-india-blogs/indias-foreign-trade-policy-2023-roadmap-boost-exports#:~:text=One%20of%20the%20key%20objectives,in%20a%20paperless%2C%20online%20environment.>

[2]: <https://economictimes.indiatimes.com/news/economy/policy/foreign-trade-policy-2023-govt-breaks-tradition-of-target-year/articleshow/99134591.cms>

[3]: <https://www.cnbctv18.com/economy/foreign-trade-policy-2023-live-updates-piyush-goyal-export-revenue-imports-16305671.htm>

# India's Foreign Trade Policy 2023

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## Top Takeaways From the Policy:[4]

1. FTP to provide the policy continuity and a responsive framework.
2. Approach of FTP: From Incentive to Remission.
3. Introduces scheme for remission of duties, taxes and government levies on export goods.
4. Digitisation of applications pertaining to FTP.
5. Automatic system-based approval of FTP applications.
6. Pilot introduced for cutting processing of applications related to advance authorisation to 1 day.
7. Norms for recognition as Star Trading Houses eased.
8. Promotes trade in Indian Rupee.
9. Introduces provisions for merchanting trade.
10. Dairy sector to be exempted from maintaining average export obligation, battery electric vehicles; vertical farming equipment & green hydrogen eligible for reduced obligation under Export Promotion Capital Goods (EPCG) scheme.
11. Special advance authorization scheme extended for apparel & clothing sector.
12. Extends all FTP benefits to e-commerce exports.
13. Value limit for exports through courier service increased from INR 500,000 (~US\$ 6,045) to INR 1 million (~US\$ 12,090) per consignment.
14. Focus on engaging with states & districts through Districts as Export Hubs initiative.
15. Aims at streamlining export of dual use items under Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET) policy.
16. Introduces amnesty scheme for one-time settlement of default in export obligation by advance authorisation and EPCG authorisation holders.
17. FTP to be dynamic and responsive to the emerging trade scenario.
18. Restructuring of Department of Commerce on the anvil to make it future-ready.

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[4]: <https://economictimes.indiatimes.com/news/economy/policy/foreign-trade-policy-2023-govt-breaks-tradition-of-target-year/articleshow/99134591.cms>

# India's Trade Profile

World Tariff Profiles provides comprehensive information on the tariffs and non-tariff measures imposed by over 170 countries and customs territories. It is a joint publication of the World Trade Organization (WTO), the International Trade Centre (ITC) and the United Nations Conference on Trade and Development (UNCTAD).<sup>[5]</sup>

## Import Profile of India for Trade Year 2020<sup>[6]</sup>

Value of Imports (in billion US\$)			Trade Weighted Average MFN Applied Tariff (in %)			MFN Duty-free Imports (Share of total %)		
All	AG	Non-AG	All	AG	Non-AG	All	AG	Non-AG
392.8	22.8	370.1	12.6	63.3	9.4	5.8	0.2	6.2

## Export Profile of India for Trade Year 2020<sup>[6]</sup>

Diversification Index Number of HS Chapters			Diversification Index Number of HS 6-digits			Applied Weighted Tariff Faced in Major Markets		
All	AG	Non-AG	All	AG	Non-AG	All	AG	Non-AG
94	30	73	2,614	299	2,315	2.9	5.8	2.6

Where: AG: Agricultural Products, Non-AG: Non-agricultural products, HS: Harmonized System (nomenclature), MFN: Most Favoured Nation

[5]: [https://www.wto.org/english/res\\_e/publications\\_e/world\\_tariff\\_profiles22\\_e.htm](https://www.wto.org/english/res_e/publications_e/world_tariff_profiles22_e.htm)

[6]: [https://www.wto.org/english/res\\_e/booksp\\_e/world\\_tariff\\_profiles22\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/world_tariff_profiles22_e.pdf)

# Trade Agreements of India

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India has been talking Free Trade Agreements (FTAs) with several partners – both bilateral and regional – over the past two years in a bid to boost export-oriented domestic manufacturing. New Delhi had set an ambitious export shipment target of US\$ 450-US\$ 500 billion by FY (Financial Year)23, against US\$ 291 billion in FY21.<sup>[7]</sup> India has been proactive in engaging with other countries to enhance international trade relations and has signed thirteen FTAs with nations across the globe.<sup>[8]</sup>

## Bilateral Trade Agreements of India<sup>[9]</sup>

1. India Afghanistan Preferential Trade Agreement (PTA)
2. Australia–India Comprehensive Economic Cooperation Agreement (AI-CECA)
3. India Chile Preferential Trade Agreement (PTA)
4. Japan India Comprehensive Economic Partnership Agreement (JICEPA)
5. India Malaysia Comprehensive Economic Cooperation Agreement (IMCECA)
6. India Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA)
7. India Thailand Free Trade Agreement (FTA)
8. India Singapore Comprehensive Economic Cooperation Agreement (CECA)
9. India Korea Comprehensive Economic Partnership Agreement (IKCEPA)
10. India Sri Lanka Free Trade Agreement (ISFTA)
11. India UAE Comprehensive Economic Partnership Agreement (CEPA)

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[7]: <https://www.india-briefing.com/news/india-fta-2022-status-update-23513.html/>

[8]: <https://www.ibef.org/blogs/free-trade-agreements-a-thrust-to-indian-trade>

[9]: [https://en.wikipedia.org/wiki/Free\\_trade\\_agreements\\_of\\_India](https://en.wikipedia.org/wiki/Free_trade_agreements_of_India)

# Trade Agreements of India

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## Bilateral Trade Agreements Under Negotiation<sup>[9]</sup>

1. Bangladesh (CEPA)
2. Canada (CEPA)
3. Israel (FTA)
4. New Zealand (FTA)
5. Peru (FTA)
6. United Kingdom (FTA)

## Multilateral Trade Agreements of India<sup>[9]</sup>

1. Asia-Pacific Trade Agreement (APTA)
2. ASEAN-India Trade in Goods Agreement
3. ASEAN-India Trade in Services Agreement
4. ASEAN-India Investment Agreement
5. India Mercosur Preferential Trade Agreement
6. Global System of Trade Preferences (GSTP)
7. South Asia Free Trade Agreement (SAFTA)

## Multilateral Trade Agreements Under Negotiation<sup>[9]</sup>

1. Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) (FTA)
2. European Union (FTA)
3. Gulf Cooperation Council (FTA)
4. India, Brazil, South Africa (IBSA) (FTA)
5. Southern African Customs Union (South Africa, Botswana, Lesotho, Namibia, Swaziland) (PTA)

# Trade Disputes involving India

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Settling international trade disputes between the Member States is the responsibility of the WTO's Dispute Settlement Body (DSB). According to the WTO's dispute settlement system as set out in the Dispute Settlement Understanding (DSU), the disputing members countries are first required to undergo a consultation process aimed at resolving disputes amicably, failing which the complainant country may request the DSB to establish a dispute settlement panel. The DSB has the sole authority to establish these panels of experts to consider cases and to accept or reject the panel's findings or the results of an appeal. Either side can appeal a panel's ruling. Sometimes both sides do so. Appeals have to be based on points of law, such as legal interpretation, and cannot re-examine existing evidence or examine new issues.<sup>[10]</sup>

## Disputes Involving India

India has been an active participant in the WTO DSM as complainant in 21 cases and as respondent in 22 cases. India has joined as Third Party in over 90 cases of the total 480 cases of the WTO since its inception. Some of India's ongoing, active disputes are as follows:<sup>[11][12]</sup>

1. **DS430:** Related to Import restrictions by India on certain agricultural products including the Poultry and Poultry products. (Complainant-United States)
2. **DS456:** Related to the Domestic Content Requirements (DCR) in the Jawaharlal Nehru National Solar Mission (JNNSM) program of MNRE (Ministry of New and Renewable Energy). (Complainant- United States)
3. **DS436:** Related to Exorbitant Countervailing duty (Anti-Subsidy duty or CVD) imposed by the US on certain hot rolled carbon steel products originating from India. (Respondent: United States)

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[10]: <https://www.lexology.com/library/detail.aspx?g=b0943836-fcdd-431c-a3b5-45fe55801509>

[11]: <https://commerce.gov.in/international-trade/india-and-world-trade-organization-wto/dispute-settlement/>

[12]: [https://www.wto.org/english/tratop\\_e/dispu\\_e/dispu\\_status\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm)

# Trade Disputes involving India

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4. **DS588:** Tariff Treatment on Certain Goods in the Information and Communications Technology Sector. (Complainant - Chinese Taipei)
5. **DS584:** Tariff Treatment on Certain Goods (Complainant - Japan)
6. **DS582:** Tariff Treatment on Certain Goods in the Information and Communications Technology Sector (Complainant - European Union)
7. **DS581:** Measures Concerning Sugar and Sugarcane (Complainant - Guatemala)
8. **DS580:** Measures Concerning Sugar and Sugarcane (Complainant - Australia)
9. **DS579:** Measures Concerning Sugar and Sugarcane (Complainant - Brazil)



# Import Restrictions/Prohibitions in India

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## Restrictions for Imports/Exports

There are restrictions on imports and exports for various strategic, health, and other reasons. There can be quantitative and qualitative restrictions on imports and exports.<sup>[13]</sup>

## Principles of Restriction

1. Defend the public morals
2. Protection of human, animal or plant life or health
3. Protection of patents, trademarks and copyrights and the obstruction of deceptive practices
4. Prevention of prison labor
5. Protection of national riches of artistic, historic or archaeological worth
6. Preservation of exhaustible natural resources
7. Protection of trade of fissionable substance or material from which they are resulting; and
8. Prevention of traffic in arms, ammunition and trappings of war.<sup>[13]</sup>

## Prohibited Items for Import in India

Each year, several countries import billions of products into India by air, sea, and road. The Directorate General of Foreign Trade (DGFT) controls all imports and export into India, and Importer-Exporter Code (IEC) from the DGFT is required for all importers or exporters. DGFT has published a list of prohibited items for import in India. Articles on this list cannot be imported into India under any circumstance.<sup>[14]</sup>

For current information on India's Prohibited and Restricted Imports/Exports list, please visit [here](#).<sup>[15]</sup>

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[13]: <https://carajput.com/services-restrictions.php>

[14]: <https://www.indiafilings.com/learn/prohibited-items-for-import-in-india/#:~:text=List%20of%20items%20prohibited%20for,in%20brine%2C%20dried%20or%20smoked.>

[15]: <https://www.dgft.gov.in/CP/?opt=itchs-import-export>

# Trade Protectionism in India

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Indian trade policy has long had a protectionist bent. Even the liberalising reforms of the early 1990s – as important and beneficial as they were – were limited, and vested interests and populist domestic politics continue to trump policies that would be beneficial for India now and into the future.

India's aversion to open trade was on full display in late 2019 when India withdrew from the Regional Comprehensive Economic Partnership (RCEP), Asia's most consequential economic agreement, citing the risk of import surges and damaging trade deficits, particularly with China.<sup>[16]</sup>

In the last couple of years, as many as 3,600 tariff lines have seen hikes in import duties. As a result, India's trade-weighted import duty has increased from 6.3 percent in 2014 to 10.4 percent in 2021. One of the reasons behind this increase in import tariffs on a range of products including electronics, automotive parts, and steel is India's desire to protect its domestic industries and promote local manufacturing.<sup>[17]</sup>

According to an article published on October 2021, where it has quoted WTO statistics from 2015 to 2019, India initiated 233 anti-dumping investigations. The anti-dumping initiations by India from 1995 till 2020 stand at 1,071 which is higher than the initiations by the US, the EU and China. The average of India's tariffs has also increased by almost 25 per cent to 11.1 per cent in 2020-21 since the past decade. India also amended Section 11(2)(f) of the Customs Act of 1962, giving the government the power to ban the import or export of any good if it is necessary to prevent injury to the economy.<sup>[18]</sup>

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[16]: <https://www.eastasiaforum.org/2023/02/06/getting-indias-trade-strategy-aligned-with-its-national-development-ambitions0/>

[17]: <https://www.moneycontrol.com/news/opinion/indias-inflation-war-complicated-by-geopolitics-trade-protectionism-10248061.html>

[18]: <https://www.iasparliament.com/current-affairs/trade-protectionism-in-india>

# Trade Protectionism in India

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Some of the examples of Trade Protectionism are:

1. In Annual Budget 2023-24 presented by central government, the Basic Customs Duty (BCD) on silver was raised to 10% from 7.5% and Agriculture Infrastructure and Development Cess (AIDC) on the imports to 5% from 2.5%. Silver dore will carry a 10% basic import duty and 4.35% AIDC. The import duty on articles made of precious metals was increased to 25% from 22%.<sup>[19]</sup>
2. Import duty on compounded rubber gets doubled in the Budget 2023. The central government hiked the basic import duty to 25 percent, which was 10 percent previously.<sup>[20]</sup>
3. In Budget 2023, the customs duty on kitchen electric chimney increased to 15% from 7.5%.<sup>[21]</sup>
4. As per the Budget 2023, the already steep custom duty of 60 percent on imported luxury cars will increase by 10 percent. Imported EVs (Electric Vehicles) costing more than US\$ 40,000 in value will also attract 70 percent custom duty.<sup>[22]</sup> India imposes 100% duty on import of completely-built cars with CIF (Cost, Insurance and Freight) value more than US\$ 40,000 and 60% on those costing less than the amount.<sup>[23]</sup>

For more information, please look into [Customs Tariff of India 2023](#), as effective from 01-05-2023.<sup>[24]</sup>

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[19]: <https://economictimes.indiatimes.com/industry/cons-products/fashion-/-cosmetics-/-jewellery/centre-raises-import-duties-on-silver-in-budget-2023/articleshow/97520446.cms>

[20]: <https://zeenews.india.com/economy/live-updates/union-budget-2023-live-full-list-of-products-turning-costlier-cheaper-cigarettes-cars-and-motorcycles-smartphones-gold-silver-deodorants-sprays-video-game-consoles-2568218>

[21]: <https://www.india.com/business/gold-cigarette-jewellery-imported-goods-list-of-things-to-become-expensive-from-april-1-5966560/>

[22]: <https://timesofindia.indiatimes.com/auto/news/budget-2023-imported-cars-become-further-out-of-reach-custom-duty-increased-from-60-to-70-percent/articleshow/97525595.cms>

[23]: <https://timesofindia.indiatimes.com/business/india-business/musk-had-earlier-hit-back-against-high-import-duty/articleshow/100487730.cms?from=mdr>

[24]: <https://old.cbic.gov.in/htdocs-cbec/customs/cst2023-010523/cst-idx>

# Conclusion

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India is presently known as one of the most important players in the global economic landscape. Its trade policies, government reforms, and inherent economic strengths have attributed to its standing as one of the most sought-after destinations for foreign investments in the world. Also, technological, and infrastructural development being carried out across the country augurs well for the trade and economic sector in the years to come. The Government of India has been working on striking important deals with the Governments of Japan, Australia, and China to increase contribution towards the economic development of the country and growth in the global market. India has the potential to increase its goods and services export to Australia to US\$ 15 billion by 2025 and US\$ 35 billion by 2035. Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles Mr. Piyush Goyal, aspires for India to achieve US\$ 2 trillion in exports by 2030. This will help India to become a key player in world trade.<sup>[25]</sup>




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[25]: <https://www.ibef.org/economy/trade-and-external-sector>

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