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India's Tariff Liberalisation Potential: A Tariff-Line Level Analysis for Future FTAs

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Introduction

Free Trade Agreements (FTAs) are increasingly embraced by nations around the world. According to the World Trade Organization (WTO), there are 385 regional trade agreements (RTAs) covering goods, services and accessions, notified and in force as on 2 July 2026¹. The core idea behind an FTA is trade creation. Trade creation, first explained by Jacob Viner, describes a situation in which an FTA generates trade that would not otherwise have existed². At present, a large share of global trade takes place under the RTA regime rather than the WTO Most-Favoured-Nation (MFN) regime. FTAs increasingly serve not only as instruments of tariff reduction but also as a framework for deeper economic integration. It is also observed that India's major trading partners are themselves actively engaged in signing FTAs. The number of such agreements has increased approximately eighteen-fold, from 21 in 1990 to 385 in 2026.

¹ <https://rtais.wto.org/UI/charts.aspx#>

² Viner, Jacob. 1950. *The Customs Union Issue*. New York: Carnegie Endowment for International Peace.

Contemporary FTAs are deeper agreements, reflecting an expansion in the scope and depth of the areas of cooperation covered, and are generally termed new-generation FTAs.

India has been actively participating in this global trend. It has signed 20 FTAs³ and other regional trade agreements, and maintains preferential or cooperation arrangements with around 54 countries⁴. India's merchandise exports to these partner countries and regions have grown from USD 34.5 billion to USD 40.6 billion with ASEAN, from USD 4.6 billion to USD 7.0 billion with South Korea and from USD 13.0 billion to USD 31.6 billion with SAARC. In recent years, India has concluded significant FTAs with partners such as the UAE, UK, Australia and the European Free Trade Association (EFTA), and with the European Union, with higher levels of trade through preferential routes expected.

Globally, FTAs are becoming deeper and more comprehensive, requiring higher levels of tariff elimination and broader commitments. India's ongoing and future trade negotiations are therefore expected to involve greater liberalisation than in earlier agreements. In this context, it becomes increasingly important to identify products at the tariff-line level that can be liberalised without adversely affecting domestic industries.

This paper aims to contribute to policy decision-making by evaluating India's liberalisation potential at the tariff-line level. The analysis identifies products that are strong candidates for tariff reductions in future FTAs by examining publicly available MFN and preferential tariff data. It also assesses India's level of current commitment in its existing trade agreements and the

³ <https://rtais.wto.org/UI/Charts.aspx#>

⁴ <https://indiantradeportal.in/vs.jsp?lang=0&id=0,55,288>

degree of trade dependence on FTA partner countries. These factors help determine where further liberalisation efforts are both feasible and strategically beneficial.

This is the first paper in a series on India's trade competitiveness. Its objective is to identify product categories in which India demonstrates competitive strength for deeper trade integration under FTAs. The broader goal is to prioritise tariff reduction in areas where Indian industry is globally competitive, so that liberalisation supports balanced and mutually beneficial trade and greater market efficiency without adversely affecting domestic producers.

The study analyses a set of key indicators to assess readiness for liberalisation in ongoing and prospective FTAs. The findings are intended to help policymakers identify product categories that align with India's evolving trade strategy and a balanced approach to future trade liberalisation. This study identifies the products mainly by analysing trade and economic data, but qualitative assessment will be needed further to understand their strength vis-à-vis a particular partner. The following section discusses the methodology and results.

Data Sources and Methodology

The strength of the case for tariff liberalisation has been evaluated using four interlinked parameters: exposure to existing FTAs, the level of India's MFN tariffs in 2024, import dependence on FTA partners⁵ and the global export dominance of those partners⁶. Publicly available schedules of India's tariff concession commitments under FTAs with ASEAN, Japan, Korea, Australia and the UAE were analysed, with data sourced from the Department of

⁵ Combined share of FTA partners in India's imports >30%

⁶ Combined share of FTA partners in global exports >30%

Commerce website. MFN tariff levels were sourced from the WTO's Tariff Analysis Online (TAO), while import dependence and global export data were drawn from DGCI&S and the World Bank, respectively, the latter accessed through WITS.

A scoring system translates these factors into a measure of readiness, providing insight into how products can be prioritised and tariff reductions pursued with minimal market disruption and maximum strategic benefit. The interlinked parameters used in the analysis are explained below:

1. **Exposure to Existing FTAs:** This indicator considers the extent to which a product is already liberalised in India's existing FTAs. Products that are partially liberalised or that appear in multiple FTAs have already been exposed to preferential trade conditions. Such products are more familiar to both exporters and domestic producers in terms of handling international competition. Since these products have already operated under some level of trade openness, expanding liberalisation further is more feasible⁷.
2. **Low MFN Tariff:** The MFN tariff represents the standard rate of duty applied to imports from countries with no preferential agreement. Products with low MFN tariffs are already lightly protected, suggesting that the domestic market is less dependent on high tariffs for price stability. Reducing or eliminating duties on these products is unlikely to cause significant price fluctuations making them suitable candidates for further liberalisation⁸. Conversely, products with high MFN tariffs are heavily protected from foreign competition and are treated as sensitive.

⁷ Committed in at least 3 major FTA's specifically with ASEAN, Japan, Korea, Australia, and the UAE.

⁸ India's MFN Tariff for 2024 <10%

3. **Import Dependence on FTA Partners:** This factor examines the share of imports that India sources from its FTA partners for a particular product. A high level of import dependence indicates that the domestic market already relies on these partners. It also reflects an environment where domestic producers are accustomed to competition from abroad. Products with strong import dependence on FTA partners are therefore less vulnerable to disruption from further liberalisation⁹.
4. **Global Export Dominance of FTA Partners:** In addition to the above conditions, where India's FTA partners are major global exporters of a product, it indicates that domestic industries are already competing with leading international suppliers. Such global competitiveness implies that Indian producers are exposed to international standards, pricing and quality benchmarks. Liberalising these products further is less likely to disrupt the market and can even encourage efficiency, innovation and better integration into global supply chains¹⁰.

Each product is assigned a score to indicate its suitability for tariff liberalisation. A higher score indicates that a product is strongly aligned with these factors, making it a good candidate for tariff liberalisation at relatively low economic or strategic risk. Conversely, products with lower scores carry greater sensitivities and potential risks, suggesting that liberalisation should be approached with caution. Further, products with zero score are most sensitive, thus, least suitable for further tariff liberalisation as they are not committed in at least three of the five major FTAs examined¹¹ (Table 1).

⁹ Combined share of FTA partners in India's imports >30%

¹⁰ Combined share of FTA partners in global exports >30%

¹¹ ASEAN, Japan, Korea, Australia, and the UAE.

Table 1: Parameters used for assigning scores

A	B	C	D
TL committed in at least 3 major FTAs	MFN Tariff is 10% or lower (Y/N)	Share of FTA Partners in India's import > 30%	Share of FTA Partners in Global Exports > 30%
Y =1, N = 0	Y = 1, N = 0	Y = 1, N = 0	Y = 1, N = 0
Score = A x (A+B+C+D)			

Where, Y: Yes, N: No, TL: Tariff Line

Score-Based Categorisation for Strategic Liberalisation

The scoring system was applied across all 12,286 Indian tariff lines at the HS 8-digit level, with export and import values taken as averages of 2022 and 2023. India's MFN duty for 2024 was used throughout the analysis.

Based on the scores, the products were classified into five liberalisation-readiness categories: Highly Competitive or Priority (Score 4), Competitive (Score 3), Moderately Competitive (Score 2), Emerging Competitive (Score 1) and Sensitive (Score 0).

Products already carrying a zero MFN duty enjoy no tariff protection at all, which means domestic producers of these goods are fully exposed to import competition and are already operating at world prices. Since these products already enter at zero duty, binding them in future FTAs is unlikely to affect the domestic economy and they are therefore placed in the Highly

Competitive or Priority category (Score 4) to expand market access, strengthen trade relationships and support exporters without changing domestic prices.

However, the products with zero MFN in the Sensitive category are not categorised as highly competitive, as they either appear on the exclusion lists of India's major FTAs or are committed to in fewer than three of them. This indicates that there are sensitivities associated with these products that may require policy space to increase tariff rates in future. The analysis below summarises the share of tariff lines and their corresponding chapters in each competitive category, indicating the scope of liberalisation potential.

The Highly Competitive or Score 4 category stands out as the most liberalisation-ready segment, comprising 1,077 tariff lines spread across 50 chapters. Within this group, 911 tariff lines face zero MFN tariffs and 166 face non-zero MFN rates. These chapters and products are the strongest candidates for early liberalisation, combining competitiveness with readiness for trade expansion, and offer the most favourable conditions for tariff reduction.

The Competitive category includes 1,003 tariff lines spread across 67 chapters. This category shows significant potential for liberalisation, reflecting goods in which India is reasonably competitive.

The Moderately Competitive segment has the largest product count, with 4,445 tariff lines across 89 chapters. These products represent the mid-tier of India's competitiveness spectrum, being exposed to trade but still safeguarded by moderate tariffs. This category shows moderate

potential for selective liberalisation, balancing trade competitiveness with economic caution, and could be considered for phased liberalisation.

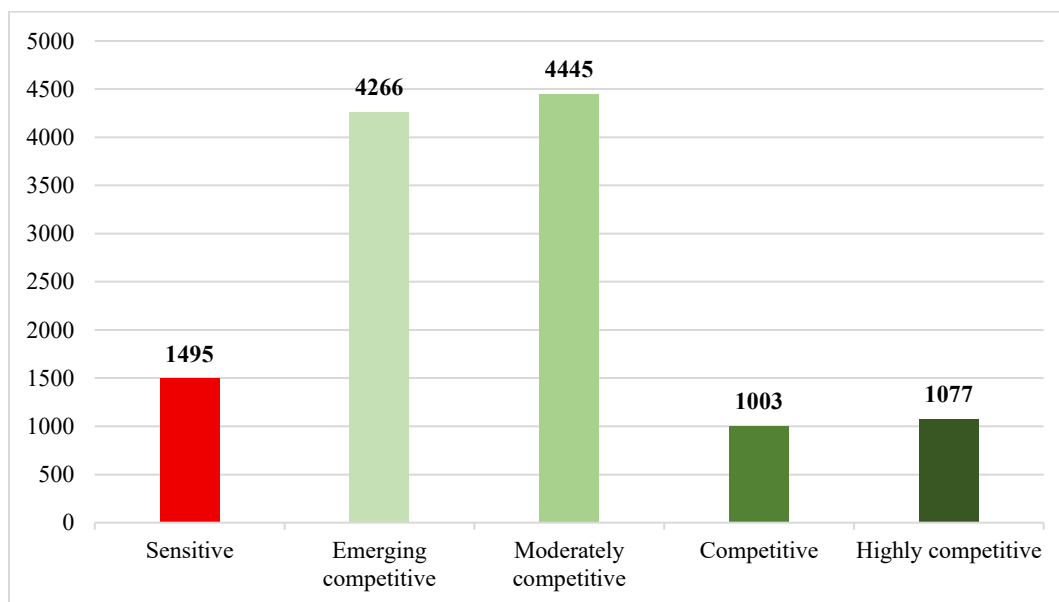
The Emerging Competitive category, with 4,266 tariff lines spanning 90 chapters, consists entirely of lines facing non-zero MFN tariffs. These products may require additional time to become strong candidates for potential liberalisation and may be taken into consideration only with due caution and supportive measures such as improved credit access, infrastructure development and chapter-specific interventions. Hence, this category should continue to receive some tariff protection in the near future, with liberalisation considered gradually and selectively, depending on the level, type and sectoral sensitivity of each product.

The Sensitive category consists of 1,495 tariff lines distributed over 58 chapters, combining 106 lines with zero MFN and 1,389 lines with non-zero MFN. A majority of the chapters and products in this category are not committed for tariff reduction under India's recent FTAs¹² and significant tariffs, ranging from 7.5% to 150%, are imposed on them. Therefore, they are not considered for potential liberalisation under the upcoming FTAs and thus have been assigned score zero ¹³(Figure 1).

Figure 1: Product Count Across Score Categories

¹² At least three out of India's FTA with ASEAN, Japan, Korea, Australia, and the UAE.

¹³ Since FTA commitment is a compulsory condition in the scoring framework, this category is excluded from potential liberalization.



Scores: Sensitive = 0; Emerging Competitive = 1; Moderately Competitive = 2; Competitive = 3; Highly Competitive = 4

Sectoral Analysis of Competitive Tariff Lines

Figure 2 highlights chapters that contain at least 100 tariff lines (HS 8-digit level) within each scoring category from Scores 4 to 1.

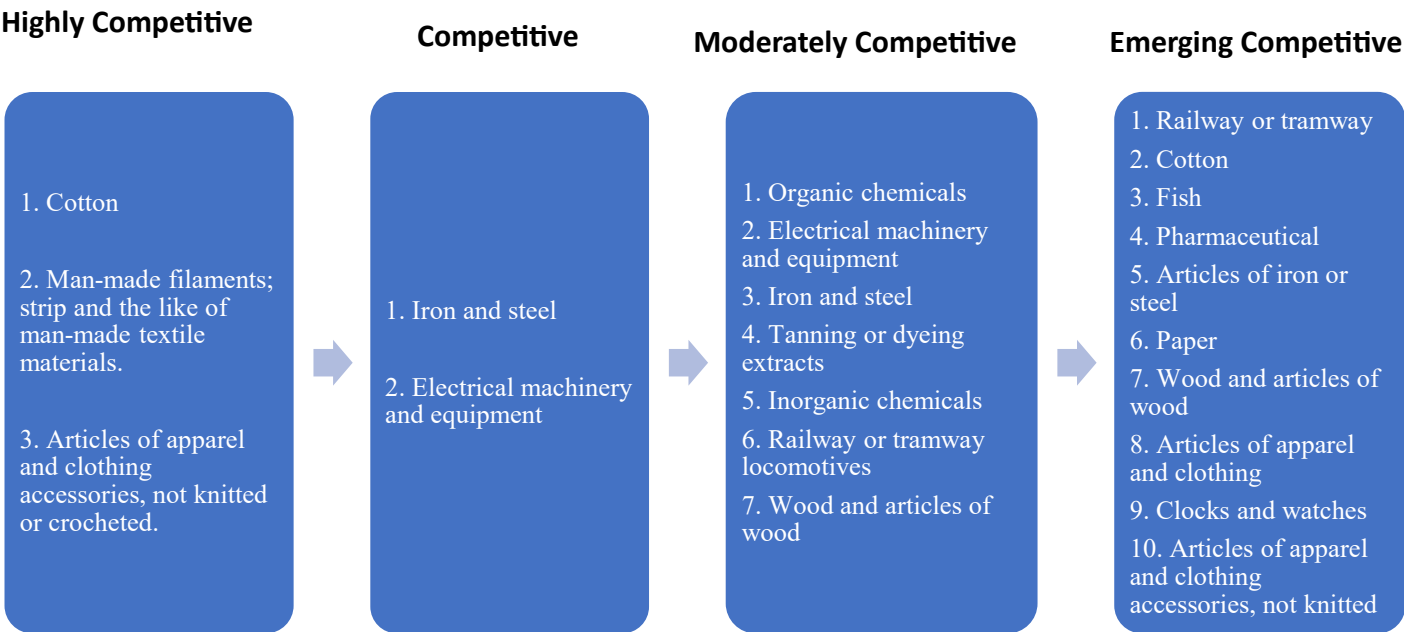
The Highly Competitive category not only includes products with significant trade potential under non-zero MFN tariffs but also comprises certain tariff lines where India applies zero MFN duties. These zero-MFN lines account for 911 of the 1,077 tariff lines in the category and span 37 HS chapters, including cotton, man-made filaments, and articles of apparel and clothing accessories (not knitted or crocheted). The presence of zero MFN tariffs in these chapters highlights India's strategic approach to facilitate imports of essential raw materials, industrial inputs and high-technology products, while maintaining strong competitiveness in these chapters globally.



In the Competitive category (Score 3), chapters such as Iron and Steel and Electrical Machinery and Equipment are featured. The Moderately Competitive (Score 2) group covers a broader range of chapters, from Organic and Inorganic Chemicals to Wood and Articles of Wood and even Railway or Tramway Locomotives. Chapters such as Iron and Steel and Electrical Machinery appear in both the Competitive and the Moderately Competitive categories.

The Emerging Competitive (Score 1) category is more diverse, including chapters such as Cotton, Fish and Crustaceans and Pharmaceuticals. It also covers Apparel and Clothing, Clocks and Watches, and Paper Products.

Figure 2: Chapters with at least 100 Tariff Lines across Score Categories



Chapters are based on World Customs Organization HS 2022

Products that met all four conditions (Score 4) but face non-zero MFN duties were then examined in greater detail to identify priority chapters and products for further tariff liberalisation. India's global import values were extracted for these products to gauge the scale of domestic import demand, and the analysis was carried out at both the chapter and the tariff-line level.

Table 2 lists the ten leading chapters, which together account for 121 of the 166 highly competitive tariff lines, highlighting India's MFN duty levels and corresponding global average import values for 2022–2023. Among these, the Iron and Steel chapter (HS 72) has the highest number of highly competitive products, with 27 HS 8-digit codes, facing an average MFN duty of 7.74% and global average imports worth USD 121.62 million. Machinery (HS 84) includes 21 highly competitive products, with an average MFN of 7.86% and global average imports of USD 49.30 million.

Other notable chapters include Organic Chemicals (16 products, average MFN 6.53%, average imports USD 91.35 million), Mineral Fuels (11 products, average MFN 3.50%, average imports USD 3,991.80 million), Plastics and Articles Thereof (10 products, average MFN 8.25%, average imports USD 243.92 million) and Man-Made Staple Fibres (8 products, average MFN 5.16%, average imports USD 27.03 million). Finally, the Salt, Sulphur, Earths, Stone, Plastering Materials, Lime, and Cement chapter (HS 25) includes 6 highly competitive products with an average MFN of 4.13% and global average imports of USD 127.14 million.

Overall, the table lists chapters in which India has competitive potential in international markets, combining relatively moderate MFN tariffs with significant global trade flows, signalling opportunities for strategic liberalisation and trade promotion (Table 2).

Table 2: Leading Chapters among the 166 Highly Competitive Tariff Lines, with India's MFN Duty and Global Imports

Chapters with highly competitive products	Chapter Description	No. of HS 8-digit codes which are highly competitive	India's Avg MFN duty in 2024 (%)	India's Avg global Imports (2022-2023) (USD Million)
72	Iron and steel.	27	7.74	121.62
84	Machinery	21	7.86	49.30
29	Organic chemicals.	16	6.53	91.35
27	Mineral fuels, mineral oils and products of their distillation	11	3.50	3991.80
39	Plastics and articles thereof.	10	8.25	243.92
55	Man-made staple fibres.	8	5.16	27.03
71	Natural or cultured pearls,	8	0.55	8.51
28	Inorganic chemicals;	7	6.68	119.35
90	Optical, photographic instruments	7	8.25	77.61
25	Salt; sulphur; earths and stone; plastering materials, lime and cement.	6	4.13	127.14

Source: India's MFN duty extracted from WTO TAO, India's Global imports from DGCI&S. Average MFN tariff and India's average global imports have been calculated for the HS 8-digit codes falling under highly competitive chapters

A detailed tariff-line-level analysis of the Score 4 category was then conducted, highlighting the top 15 products with high import value facing non-zero MFN (Table 3).

The most significant imports fall within the mineral fuels category. Steam coal and coking coal together accounted for imports of over USD 38 billion on average in 2022-23. These products

are already committed under five FTAs and India's MFN duty on them is relatively low at 2.75%, reflecting their strategic importance.

Light naphtha and motor gasoline, in the same category, together account for average imports exceeding USD 2 billion. Tariffs on both are similarly low and both carry considerable FTA exposure. Within the edible oils segment, crude palm oil stands out with average imports of USD 7.5 billion, of which India sources 95% from its FTA partners.

From the base metals group, semi-finished and flat-rolled steel products and tubes of refined copper are important inputs for the construction and manufacturing sector. They are committed under four to five FTAs, average import values are close to USD 1 billion each, and MFN duties are relatively high at 8.25%.

In plastics and chemicals, high-value imports include polycarbonates, propylene copolymers and toluene. These products are largely committed under FTAs and face relatively high MFN duties of up to 8.25%. The ships and vessels category, particularly under the tariff line other vessels, also features prominently, with average imports of USD 2.3 billion and commitments under all five FTAs examined. Overall, these are essential raw materials with limited domestic supply capacity and are required to meet India's developmental needs (Table 3).

Table 3: Top 15 products among 166 identified tariff lines

HS 2-digit	Tariff Line	Tariff Description	No. of FTAs* in which TL is committed	India's MFN duty in 2024 (%)	Share of FTA partners* in India's import (Avg. 2022-23)	Share of FTA partners in Global Exports (HS 6)	India's Avg global Imports (2022-2023) (HS 8)
27	27011920	Steam Coal	5	2.75	65%	90%	20244.79
27	27011910	Coking Coal	5	2.75	70%	90%	17871.53
15	15111000	Crude palm Oil	3	5.5	95%	78%	7556.15
27	27011990	Other	5	2.75	60%	90%	3476.72
89	89059090	Other	5	5.5	69%	36%	2308.07
27	27101221	Light Naphtha	3	2.75	66%	34%	1055.97
27	27101241	Motor Gasoline Conforming to Standard IS 2796	4	2.75	68%	34%	996.08
72	72189100	Of Rectangular (Other Than Square) Cross-Section	5	8.25	100%	69%	967.45
74	74111000	Of Refined Copper	4	8.25	89%	31%	829.82
39	39074000	Polycarbonates	5	8.25	41%	41%	646.42
29	29023000	Toluene	5	2.75	37%	41%	601.065
72	72251100	All goods	4	5.5	33%	37%	576.35
38	38231900	Other	4	8.25	91%	68%	546.19
39	39023000	Propylene Copolymers	3	8.25	80%	34%	538.145
39	39014090	Other	4	8.25	71%	35%	467.015

Source: India's MFN duty extracted from WTO TAO, India's Global imports from DGCI&S, *ASEAN, Japan, Korea, Australia, UAE

Conclusion

The results of this analysis provide a rationale for a standardised approach to tariff liberalisation. Overall, 1,495 of the 12,286 tariff lines are identified as sensitive and are therefore not available for tariff concessions. The remaining lines are candidates for liberalisation; those in the Highly Competitive and Competitive categories in particular demonstrate strong readiness for further tariff reduction without significant risk to domestic industry. These sectors already exhibit high

integration with global value chains, exposure to existing FTAs and relatively low MFN tariffs, suggesting that further liberalisation would strengthen domestic competitiveness.

Opening these sectors for liberalisation can yield multiple benefits for the Indian economy. Reduced tariffs in the chosen sectors such as base metals, machinery, chemicals and mineral products can enhance access to critical intermediate goods, lower production costs and stimulate manufacturing. This aligns directly with national objectives under schemes such as Make in India, PLI (Production Linked Incentive), Atmanirbhar Bharat Abhiyan and the National Manufacturing Policy.

By facilitating easier access to globally competitive inputs and technologies, liberalisation in these areas can promote domestic capacity-building, export diversification and industrial upgrading.

The analysis underscores that the potential risks of liberalisation are minimal for the identified products and chapters, as they are already exposed to preferential trade and face limited tariff protection. Hence, pursuing liberalisation in these areas would not only be economically sound but also strategically consistent with India's ongoing trade and industrial policy objectives. However, product-wise sensitivities may still exist with respect to particular partners, for which a qualitative assessment may be necessary.

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ABOUT CRIT

India's Foreign Trade Policy (FTP) Statement 2015-20 proposed the creation of a global institution to provide a counter-narrative on key trade and investment issues from the perspective of developing countries such as India. To address this, a new institute, the Centre for Research on International Trade (CRIT), was established in 2016. CRIT's objectives were, first, to significantly deepen existing research capabilities and broaden them to encompass new and specialised areas amid the growing complexity of globalisation and its spillover effects on domestic policymaking. Second, it was to enhance the capacity of government officers and other stakeholders in India and other developing countries to deepen their understanding of trade and investment agreements.

ABOUT THE CENTRE FOR WTO STUDIES

The Centre for WTO Studies was established in 1999 as a permanent repository of knowledge and documentation on WTO negotiations. Over the years, the Centre has conducted a robust research programme with a series of papers in all spheres of interest at the WTO. The Government of India has regularly called upon it to undertake research and provide independent analytical input to inform its positions in various trade negotiations, both at the WTO and in other forums, such as Free Trade Agreements and Preferential Trade Agreements. Additionally, the Centre has been actively engaging with industry, government agencies, and other stakeholders through its Outreach and Capacity Building programmes, which include organising seminars, workshops, and subject-specific meetings. The Centre thus serves as a platform for consensus-building among stakeholders and policymakers.

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