

India's Trade Liberalisation under FTAs and Domestic Production Capacities: Tariff Modalities and the Prevalence of TRQs

CRIT/CWS Working Paper Series No 98

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India has been interacting with the global economy for over seven decades, ever since its independence and GATT membership. Over this period, India's engagement with global economies has transformed from a multilaterally oriented liberalisation to a post-2016 bilateral trade engagement, cautious, assertive, coalition-driven, and deeply tied to the development and protection of domestic production activities. This paper provides a detailed assessment of the market access offered to the bilateral trading partners of India. We have traced four aspects that are hidden but critical in this direction: increased use of Tariff Rate Quotas, increased use of tariff modalities, the GST-led formalisation since 2016, and the realisation of HSN linkages for effective trade remedial measures for defensive purposes. Increasingly, the HSN is strengthening India's trade and overall development by helping the process of formalisation, leading to the elimination of the critical information gap.

July 2026

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Abstract

India's trade engagement has moved from multilateral liberalisation to a post-2016 bilateralism that is cautious, assertive and anchored in the protection of domestic production. Reading India's tariff schedules line by line across ten-plus agreements reveals a shift away from negative lists toward tariff rate quotas as the preferred instrument of controlled liberalisation. Tariff modalities have proliferated: from four to seven categories in older FTAs to twenty-two (Mauritius), twenty-three (UK) and twenty-nine (Oman) in recent ones; variability itself is the protective device. TRQs and preferential TRQs serve different logics: the first balances protection against multilateral commitments; the second turns market access into an instrument of strategic and geopolitical positioning. Extending TRQs from agriculture to industrial lines requires production and consumption estimates that India can now approximate through GST and E-Way Bill data mapped to HSN codes. Preferential TRQs on non-agricultural lines will need stricter rules of origin, higher value addition, tighter tariff-shift requirements, restricted cumulation and mandatory third-party certification to contain trade diversion. Post-2022 commitments follow no uniform template; the variation is partner-driven pragmatism, which weakens any claim to a consistent Indian approach. A unified tariff portal with searchable HS-code-level schedules is recommended to close the transparency gap that currently disadvantages MSMEs and small exporters.

Keywords: TRQ Usage, TRQs, P-TRQs, Bilateralism, Trade Diversion. Domestic Production, Liberalisation

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India's Trade Liberalisation under FTAs and Domestic Production Capacities:

Tariff Modalities and the Prevalence of TRQs

Introduction

India's development and growth paths since independence, as reflected in trade agreements, have been primarily driven by strategic considerations. The changing political landscape did erode some of the focus; however, the primary focus remained on protection, self-reliance, gradual liberalisation, and proactive engagement under the bilateral trade deals (BTDs). For nearly three decades (1986 to 2015), India has engaged with global economies at the multilateral level, maintaining close ties while exercising caution, asserting itself, operating in coalition, and remaining deeply tied to developmental concerns. There was very little use of domestic-market-centric trade policies. Trade policy refers to the set of laws, regulations, and strategies a government uses to manage international trade, balancing openness with protection. To safeguard domestic markets, countries adopt a mix of tariff and non-tariff measures, subsidies, and regulatory tools.

The trade deals have had a combination of strategic and India-centric goals. India's use of trade policy tools since independence has faced persistent challenges in both design and implementation, particularly in balancing the formal and informal sectors and in effectively implementing its policies. India has been challenged by the fragmentation of implementation across developmental and growth policies, creating gaps and lags. The same can be seen in the announced schemes (like EPCG, SEZ incentives, or export promotion councils), which often suffer from delays, procedural complexity, and inconsistent enforcement. (Bhalla, Surjit S., 2019) In the context of poor implementation, these issues have often been identified across multiple agencies (DGFT, Customs, the Commerce Ministry, and RBI), creating coordination problems and leading to duplication or contradictory rules. Another structural challenge faced by India is the existence of informal economy constraints, like the fact that nearly 85% of India's workforce operates informally (Sahu & Behera, 2025), with limited access to trade facilitation schemes and compliance barriers across informal firms, which struggle with documentation, standards, and certification required for exports. (Sengupta, Bhagabati, & Ganatra, 2003) This led to exclusion from FTAs, as it affects informal producers, who rarely benefit from preferential market access due to their lack of scale and formal registration. Given that an FTA would lead to binding tariffs and other trade-related commitments between two partners, almost to zero levels. (Chauffour & Maur, 2011) Suggesting an approach of treatment accorded to a single market with two sovereign entities with distinct development challenges.

Therefore, Indian trade policies have been packaged in an evolutionary path that initially focused on import substitution. India shifted after 1991 toward export promotion and

global integration, culminating in today's strategy of negotiating comprehensive trade pacts to strengthen competitiveness and market access. The "Impex to Exim" strategy of DGFT publications reflects India's evolution from a tightly controlled import regime (IMPEX) toward a more outward-looking export-import (EXIM) framework, aligning trade policy with liberalisation, WTO disciplines (See Annex Table 1), strategic, and export promotion missions.

Table 1: Tracing the Journey of India's Trade Policy: 1947 Onwards

S.N.	Period	Strategy Focus	DGFT Publications	Objective
1	Pre-1991 (IMPEX)	Agricultural marketing controls, Industrial license, and Import control	Licensing manuals, restrictive notices	Protect the domestic industry
2	1991–2004 (EXIM)	Liberalisation	Annual EXIM policies	Facilitate exports
3	2004–2015	Consolidation	5-year FTPs, handbooks	Stability & WTO alignment
4	2015 onwards	Digital facilitation	Online FTPs, trade notices, NIRYAT PROTSAHAN	Export promotion, MSME support

Source: Authors based on DOC, FIEO and DGFT secondary documents.

India has shifted its strategies from sovereignty to assertiveness, as evidenced by a progression from defensive sovereignty (Uruguay) to assertive coalition-building (Doha). Further, it has adopted a systemic engagement approach rather than a transactional positioning. In doing so, the post-Nairobi stance reflects scepticism of plurilateralism and a defensive posture on WTO reforms. At the same time, it maintained persistence in its approach to Agriculture and S&DT, which has largely remained consistent and anchored across all phases.

Each phase reflects India's calibration of defensive sovereignty and assertive coalition-building, shaped by systemic asymmetries. Using the negotiation strategy, India's posture is cyclical, defensive when systemic change looms, assertive when coalitions can amplify leverage (Annex Table 1).

Usage of Trade Policy Tools

Trade policy tools are instruments, such as tariffs, quotas, subsidies, and trade agreements, that governments use to manage trade. At the same time, national objectives are the broader goals, such as industrial growth, employment, balance-of-payments stability, or strategic autonomy, that these tools aim to achieve. Countries worldwide utilise a combination of traditional and modern trade policy tools, such as tariffs, quotas, subsidies, and regulatory measures, to balance domestic protection with global competitiveness. Developed countries have relied heavily on tariffs and anti-dumping duties, along with an emphasis on standards and specific subsidies. Certain non-market economies have implemented export controls and other incompatible industrial policy measures. (Banerjee, Pritam; Hussain, Zaki; Karwal, Kanika, 2025) The difference lies in the use of trade policy tools as operational mechanisms and the

objectives as the desired outcomes; countries achieve direct results through a highly synchronised path linking trade, economic development, and growth.

In terms of objectives, the oldest and most frequently used trade policy tool is the tariff, an applied tax on imports or exports to protect domestic industries, generate revenue, or conserve a commodity that is either scarce or in crisis. The second tool is quotas, which set limits on the quantity of imports or exports. The main purpose of this tool is to safeguard domestic production. The third tool is subsidies, which provide financial support to domestic producers to enhance competitiveness or overcome adverse conditions. The sixteen non-tariff measures (NTMs) are trade policy tools used as fair-trade instruments to address non-compatibility with the agreed trade liberalisation agreement. The outcome of their use in terms of standards, licensing, or regulations affecting trade. In some cases, it is the exchange rate policy that adjusts currency valuation to influence trade competitiveness. (Kallummal, Murali, 2007) (Bagwell & Staiger, 2016) The exchange rate policy shock (e.g., depreciation, appreciation, or a managed float) is one of the subtlest yet most powerful trade policy tools, especially in a world where the US dollar dominates global trade and finance. It directly influences the competitiveness of a country's exports and imports, and therefore the achievement of national objectives, such as growth, stability, and strategic autonomy. (Saner, 2012).

Trade Agreements, whether bilateral or multilateral deals, aim to reduce barriers and expand market access. However, the prime national objectives to be achieved are the strategic goals a country pursues through trade policy; economic growth by expanding GDP, promoting exports and industrialisation; employment Generation by facilitating and protecting labour-intensive sectors to create jobs and thus aggregate demand for consumption; Industrial Development: Nurturing infant industries and upgrading technology; food and energy security these basic requirement of any economy which ensures reliable access to essential goods; and balance of payments stability which ensures that the management of imports and exports to avoid deficits situation. (Francis, Smitha, 2019) Finally, strategic autonomy is achieved by reducing dependence on foreign powers in sensitive sectors.

Over the years, Indian trade policy evolved from inward-looking protectionism in the 1950s–1980s, centred on import licensing and self-reliance, to outward-oriented liberalisation in the 1990s, aimed at global integration and competitiveness. The shift reflected a move from using restrictive tools to achieve autonomy toward using liberalised frameworks to achieve development, growth, and tech-driven modernisation.

Trade Tools Usages Across Agreements

The oldest trade policy tool is the tariff, a tax imposed on goods as they cross national borders, most commonly on imports. Countries use different types of tariffs: ad valorem, specific, compound, seasonal, and variable, depending on whether they want to protect domestic industries, stabilise markets, or generate revenue.

The most widely used trade policy tools are tariffs, often used by the US, which uses them as MFN tariffs and also applies tariffs as a fair trade and strategic measure (e.g., Sections 122, 201 (Safeguard Tariffs), 232 (National Security), 301²(Unfair Practices), 337(Dumping), 701(subsidised imports)/731 and 708); the EU also applies a common external tariff in both Ad Valorem and Non-Ad Valorem forms. Non-Ad Valorem tariffs are comparable to minimum import prices and are expressed in fixed euros per kg for any product. The EU approach to the use of non-ad valorem tariffs across the 700-plus agricultural products aims to address two goals: the first is inflation control by regulating import surges (addressing agricultural seasons and local availability), and the second is attention to consumer health by imposing higher duties on products with regulated contents. The EU applies non-ad valorem tariffs on products with higher levels of salt, sugar, fat, and alcohol, applying variable duties that indirectly discourage overconsumption and stabilise farm incomes by encouraging local products. Japan also uses variable tariffs (non-ad valorem) on rice imports, adjusted to domestic price levels. The variable tariff adjusts to maintain domestic price stability; it rises when world prices fall. China uses adjusted tariffs to encourage imports of technology and raw materials while protecting its agricultural sector. India has maintained relatively high bound tariffs in ad valorem terms, especially in agriculture, but has negotiated reductions under FTAs. (Kallummal, 2015)

Under the WTO agreement, agricultural products are protected only by tariffs as provided under the AOA. Therefore, all quotas, categorised as non-tariff barriers, had to be eliminated or converted into tariffs as a result of the Uruguay Round (the conversion was known as “tariffication”). In some cases, the calculated equivalent tariffs, like the original measures that were tariffied, were too high to allow any real opportunity for imports. So, a system of tariff-rate quotas was created to maintain existing import access levels and to provide minimum access opportunities. (WTO, 2004), (WTO, 2004) The **second most popular trade policy tool**, like quotas and tariff-rate quotas (TRQs), became incompatible with the formation of the WTO. They were eliminated across all sectors that were assimilated under WTO disciplines. (Kallummal, Murali, 2006) The largest among them was the Multi-Fibre Agreement, which imposed quota-based restrictions on developing countries' access to developed countries' apparel markets. (Veganzones, 2000) The MFA, established in 1974 under the GATT framework, allowed developed countries (the U.S., the EU, Canada, etc.) to impose bilateral quotas on textile and apparel imports from developing countries. Alongside protecting domestic industries, the other main goals were to provide a managed liberalisation that allowed the gradual integration of developing countries into the global textile trade, thereby creating a controlled environment rather than full liberalisation under GATT rules. Additionally, it addressed

² The U.S. provided an assurance that with WTO's creation in 1995, Washington informally shifted its practice: instead of unilaterally imposing duties under Section 301, it used the law mainly to build cases and pursue dispute settlement at the WTO. Therefore, an understand by the US when it joined the WTO that it would not use this section for application of bilateral tariffs. https://www.congress.gov/crs_external_products/IF/PDF/IF11346/IF11346.23.pdf?utm_source=copilot.com.

the role of political stability in the textile and apparel industries, which were concentrated in regions with strong political influence (e.g., U.S. Southern states and EU textile hubs). Thus, the quotas were a way to appease domestic constituencies while continuing to engage in global trade. (WTO, 1998)

The formula for the quota limit used for fixing is as provided below:

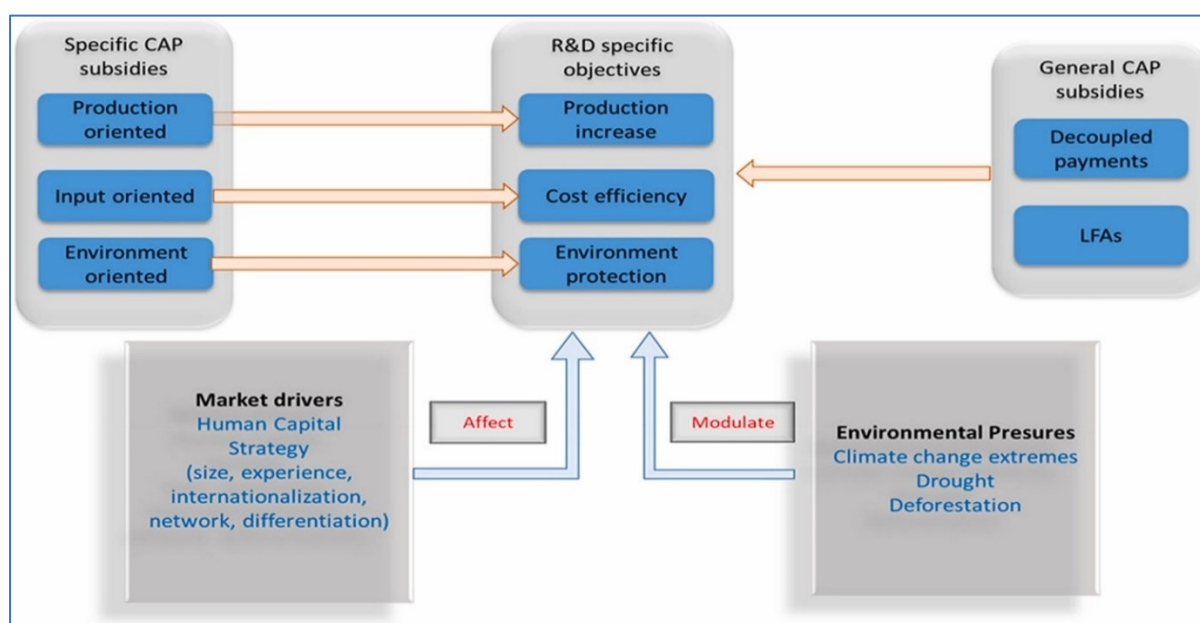
$$\text{Quota Limit} \approx f(\text{HDC-HDP, HI})$$

where:

HDP is historic domestic production.
HDC is the historic domestic consumption.
HI is the historic imports; and
Historically, it is 3 to 5 years of data.

With the establishment of the WTO, quotas were deemed incompatible and subject to discipline, and were eliminated for the covered sectors under the multilateral trade regime. However, individual members with higher usage were found to impose TRQs on sensitive agricultural products (dairy, meat, sugar). While the WTO members, such as Japan, used TRQs on rice and dairy to protect domestic farmers. (European Commission, N.D.)

Figure 1: EU's CAP and the Usage of Specific Subsidies and its Trade-Offs



Note: Least Favoured Areas (LFAs) are areas classified as disadvantaged for farming due to natural handicaps (mountains, arid zones, poor soil fertility, etc).

Source: https://ars.els-cdn.com/content/image/1-s2.0-S266615432400084X-ga1_lrg.jpg.

The United States used TRQs on dairy, peanuts, sugar, cotton, and beef and administered them through tariff schedules and quota licensing under the AOA. (USITC, 1990) Canada uses TRQs for dairy, poultry, and eggs under its supply management system, and these quotas are highly sensitive and often contested in trade negotiations. (Polzin, N.D.) China applied TRQs on wheat, corn, rice, sugar, and cotton and administered them through state trading enterprises, which have been challenged at the WTO for lack of transparency. (Glauber & Lester, 2021) South Korea uses the TRQs on rice and other

staple crops primarily to balance domestic farmer protection with WTO commitments. (Yang & Blandford, 2011) India's TRQs on certain agricultural products (e.g., maize, edible oils, skimmed milk powder, natural rubber) under WTO commitments are often used to manage politically sensitive imports. (WTO, 2015)

TRQs are not exclusive to Canada, the EU, Japan, and the US; they are widely used among major WTO members, including China, South Korea, and, to some extent, India. However, they remain a key tool in agricultural trade policy because they offer controlled liberalisation while addressing domestic sensitivities. Overall, TRQs remain WTO-compliant but are politically controversial. The most difficult issue is transparency, including monitoring and notifications. Fair allocation remains a recurring challenge, and India has been increasing TRQs in upcoming FTAs since 2020, a move that will require careful planning to prevent bilateral disputes. (WTO, 2004a)

The third trade policy tool is the use of subsidies and support programs, most commonly used by the EU under the Common Agricultural Policy (CAP), which provides direct subsidies to farmers while also using non-ad valorem tariffs (Kallummal, Murali, 2005). The US provides support under the Farm Bill programs, export credit guarantees, and renewable energy subsidies. China also provides Industrial subsidies for steel, solar, and semiconductors. CAP has increased the use of specific subsidies and evolved into a multifunctional instrument designed to meet a diverse portfolio of European Union policy objectives. Leading subsidies-driven research, innovation, and knowledge transfer are instruments applied to enhance competitiveness and improve sustainability in agriculture. (Quiroga, Suárez , Santos-Arteaga, & Rodrigo, 2024)

Since the formation of the WTO, Non-Tariff Measures (NTMs) have been the most common trade policy tool used by nearly all WTO members, and they fall into two types: technical and non-technical. The first category, technical measures, includes three trade policy instruments: sanitary and phytosanitary measures (SPS), technical barriers to trade (TBT), and import licensing (IL), all of which are mandatory.

Figure 2: Classification of non-tariff measures (15 import and 1 export)

Imports	Technical measures	A	Sanitary and phytosanitary measures
		B	Technical barriers to trade
		C	Pre-shipment inspection and other formalities
	Non-technical measures	D	Contingent trade-protective measures
		E	Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade
		F	Price-control measures, including additional taxes and charges
		G	Finance measures
		H	Measures affecting competition
		I	Trade-related investment measures
		J	Distribution restrictions
		K	Restrictions on post-sales services
		L	Subsidies and other forms of support
		M	Government procurement restrictions
		N	Intellectual property
		O	Rules of origin
	Exports	P	Export-related measures

Source: <https://digitallibrary.un.org/record/3836088?v=pdf>.

The other twelve non-technical measures include contingent trade-protective measures; non-automatic import licensing, quotas, prohibitions, and other restrictions excluding sanitary and phytosanitary measures or measures related to technical barriers to trade; price-control measures, including additional taxes and charges; finance measures; measures affecting competition; trade-related investment measures; distribution restrictions; restrictions on post-sales services; subsidies and other forms of support; government procurement restrictions; intellectual property; and rules of origin.

At the unilateral level, significant efforts are underway to develop hybrids. The recent unilateral actions of the Carbon Border Adjustment Mechanism (CBAM) are best seen as a hybrid trade policy tool; it is neither a traditional tariff nor a simple non-tariff measure (NTM), but rather a new category that combines elements of both. (Kallummal, Murali; Gupta, Aishwary Kant ; Khosla, Simran, 2024) Trade Remedies, the last tool of trade policy, has existed for nearly two centuries. The first anti-dumping measures in history were implemented by Canada in 1904 against U.S. steel imports, marking the start of modern anti-dumping practices. (Finger, 1991) The main purpose of trade remedies is to serve as a legal safety valve in the multilateral trading system, enabling countries to defend their domestic industries against unfair or disruptive trade practices while still adhering to WTO rules.

Another consideration is export promotion tools, which are only WTO-compatible if they do not distort trade. Many traditional export incentives, such as subsidies tied directly to export performance, are prohibited under WTO rules. Therefore, the global trade tools include tariffs, specific subsidies, TRQs, NTMs, and trade remedies.

WTO Compliance of TRQs

A Tariff Rate Quota (TRQ) balances trade liberalisation with domestic protection by functioning as a two-tiered system: it permits controlled imports at a lower tariff (liberalisation) while applying higher tariffs to imports exceeding that quota (protection). In the WTO, both developed and developing countries primarily use Tariff Rate Quotas (TRQs), which are specific to agricultural products and are based on international trade rules (WTO commitments) and domestic policy considerations.

Under WTO law, Tariff Rate Quotas (TRQs) are permitted but must comply with strict rules set out in the Agreement on Agriculture (AoA) and the General Agreement on Tariffs and Trade (GATT). They aim to balance market access commitments with domestic protection. However, misuse or unfair allocation can lead to disputes, as legal rules require transparency, non-discrimination, and predictability. The WTO recognises several methods of allocation: first-come, first-served; license-on-demand; auctioning; or historical importers. The principle of non-discrimination (MFN Principle) mandates that TRQs applied must not discriminate against WTO members, and their allocation must not unfairly favour certain suppliers. (WTO, n.d.)

Market Access: Increasingly Going Commercial

This paper provides an assessment of India's partial gains. The figure above provides only a one-sided analysis; it is the complete assessment of India's tariff modalities/schedules. However, a total assessment would require the market access gains for India based on the partner's tariff modalities/schedules. This is a central asymmetry in many FTA assessments; looking only at India's tariff schedules tells us what India has conceded (market access for the partner) and what it has retained (protection for domestic sectors).

Table 2: Dimension of a Complete FTA Assessment

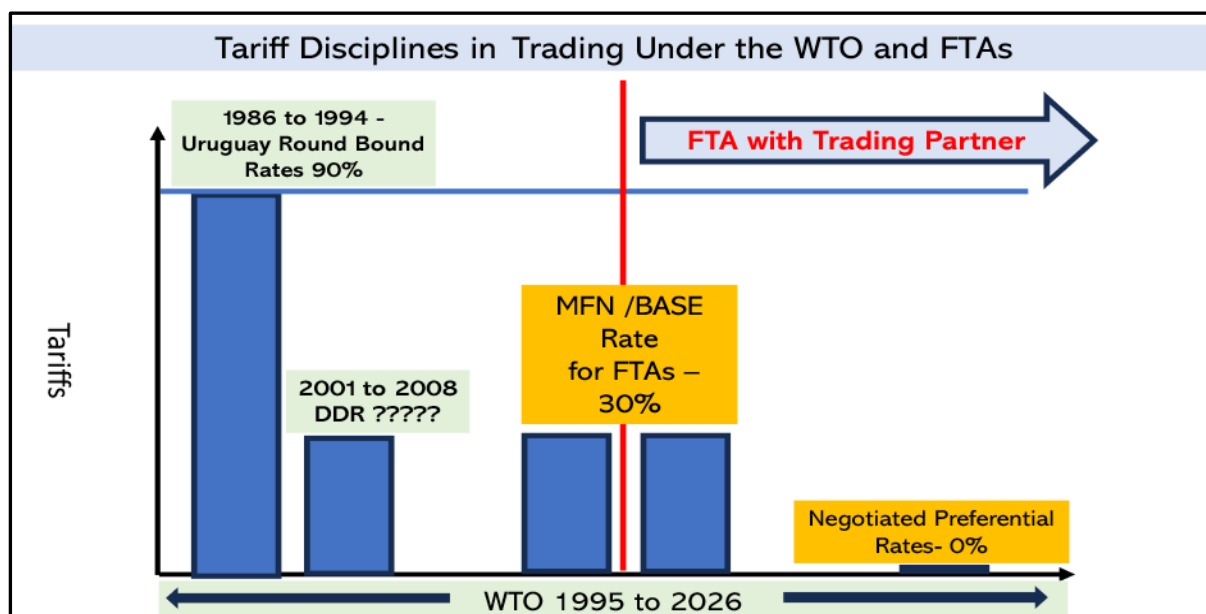
S.N.	Dimension	India's Tariff Schedules	Partner's Tariff Schedules	Total Assessment of Economic and Commercial Opportunities
1	Protection retained	Sensitive sectors excluded or phased out	Partner's sensitive sectors excluded or phased out	Reveals symmetry/asymmetry in protection
2	Market access granted	Tariff elimination/reduction for the partner	Tariff elimination/reduction for India	Shows reciprocal concessions
3	Modalities	Immediate elimination, phased reduction, TRQs, exclusions	Same categories on the partner side	Allows mapping of "like-for-like" concessions
4	Partial vs. Total Gains	India's concessions alone show only India's partial gains/losses	Partner's concessions show India's export opportunities	Together, they reveal the net welfare and trade creation/diversion

Source: Authors.

As shown in Table 2, a total assessment would require compiling the partner's tariff schedules at the same level of disaggregation, HS 8-digit.³ or HS 6 digits⁴ based on trade data availability. Moreover, overlaying them against India's export profile. For example, the sectors in India that secured meaningful market access could be termed as textiles in Japan and gems & jewellery in the UAE. However, where reciprocal gains did not match India's concessions, this also needs to be assessed; all of these are cumbersome and involve the actual preferential access. Two of the instrument variables are the tariff rate (base duty/MFN applied rates) at the time of implementation and the market size of the FTA partner. The higher tariff rate for firms/companies operating in the partner's territory would be applied to the production process to obtain market access, in accordance with the Rules of Origin. Therefore, a true reciprocity assessment under the FTA requires not only reading tariff schedules but also interpreting actual trade data in ad valorem terms. Figure 3 indicates a reduction under the preferential route from a high of 30% MFN duty to zero tariffs under the agreed preferential market access. With a significant markup, some firms exporting to other markets may shift to the FTA trading partner.

The advantage always benefits the partner that receives a larger markup upon signing the FTA, as seen in South and East Asian economies such as those in ASEAN. In contrast, Korean and Japanese FTAs had entirely different reasons. A true evaluation requires overlaying actual trade flows with the preferential duties expressed in ad valorem equivalents (AVEs). This allows us to see not just the legal commitments but the real economic incentives firms face when deciding whether to reorient production and exports toward an FTA partner.

Figure 3: Tariff Disciplines under the WTO and FTAs.



Source: Authors.

³ If the partners had harmonised the tariffs before signing of the trade deal.

⁴ It is the harmonised tariff line across all the WTO members and most suited for comparative assessment.

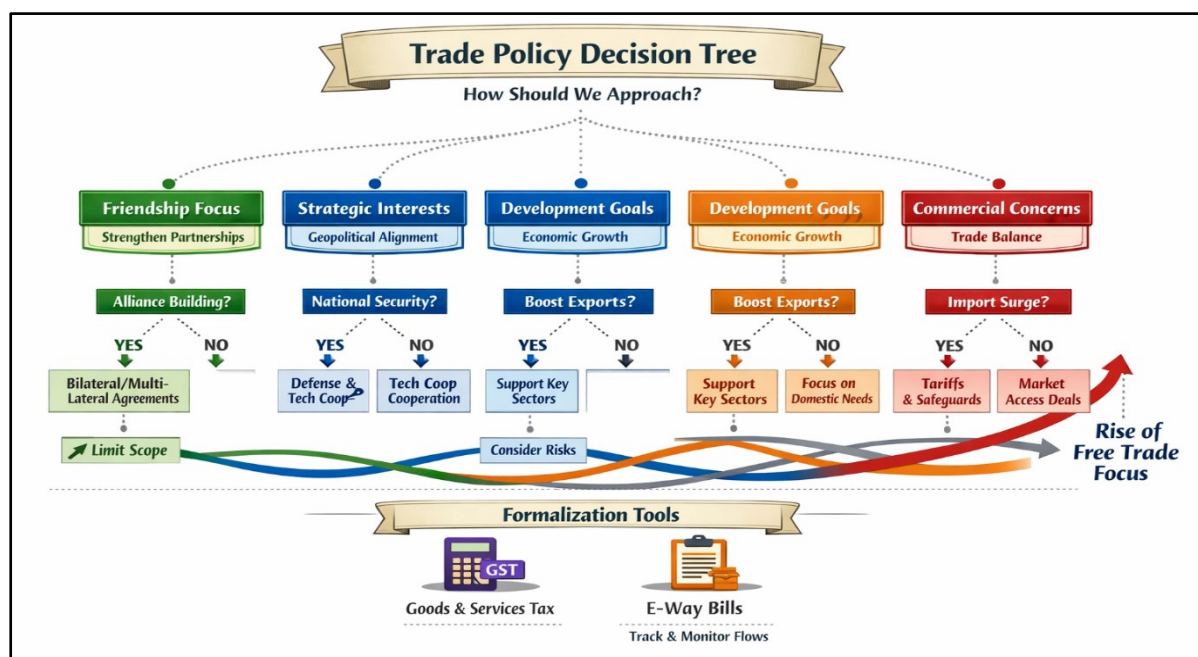
Conversely, trade under the WTO still operates under the Uruguay Round bound rates, and what WTO members apply are the MFN rates (which are often chosen for tariff cuts under FTAs), leaving considerable policy space, see Figure 3. Therefore, there is a need to balance “offensive” versus “defensive” interests across the FTA, as, unlike trade negotiations under the WTO, there is very little policy space (see Figure 3). This is why comprehensive FTA evaluations often use comparative matrices or dashboard overlays, with one axis representing India’s tariff schedule and the other the partner’s, with trade values layered.

India’s Trade Engagements 1995 Onwards

India’s Free Trade Agreement (FTA) strategies have evolved in tandem with its broader economic and geopolitical trajectory. In the early decades (1950s–1980s), trade relations were guided largely by friendship and strategic solidarity, reflecting India’s non-aligned stance and preference for controlled, inward-looking policies. During the liberalisation era (1980s–2015), FTAs became instruments of development, driven by friendship and strategic considerations, linking India’s growth story to global markets while cautiously opening sectors to foreign competition. (Panagariya, 2024)

This phase was also influenced by the WTO negotiations and the challenges they posed. However, post-2016, the emphasis shifted toward a greater role for commerce, under pressure to go green with the nationally determined commitments (NDCs) under the UNFCCC and the Sustainable Development Goals (SDGs).

Figure 4: Figurative Expression of India’s FTA Journey



Source: Generated by the Authors.

It was also confronted with import surges, hollowing out of manufacturing, and the need to recalibrate its trade balance. This phase also introduced digital dimensions, with tools like GST and E-Way bills enabling partial visibility into informal flows, and positioned

FTAs as vehicles not only for market access but also for digital trade governance, strategic alliances, and industrial resilience.

Figure 4 traces India's bilateral and multilateral trade deals, and three aspects can be identified in its formal trade deals: social cooperation (friendship), strategic, and domestic-centric, driven by developmental factors such as income and employment. While the commercial aspects were not at its core for nearly four decades, there was very little "identified role" by policymakers owing to the significant presence of the informal sector. (Krishna, 2019), (ILO, 2007) With little formal means of exchange of information, a large part of the developmental and economic needs was ignored. It was only with the surging trade deficit and the hollowing out of the manufacturing sector that the need was felt. (WTO, 2023).

The uncontrolled surge in imports led to the displacement of MSMEs across the Indian commercial space, which also participated in India's exports. (Deloitte, 2025) The information gaps were addressed by equipping policymakers with partial information on informal economic activities through taxation-related formalisation tools, such as the Goods and Services Tax and the E-Way Bill. (Roy & Khan, 2021) The GST framework, a tax credit (called Input Tax Credit or ITC), allows all registered businesses (tiny, small, medium and large) to offset the GST they pay on inputs against the GST they collect on outputs. The Indian trade classification, HSN (for goods) and SAC (for services), must be mentioned on invoices. The e-way bill system supports this by digitally tracking the movement of goods, ensuring transparency, reducing evasion, and validating ITC claims. This universality is what makes GST a value-added tax system rather than a turnover tax, reduces the risk of fake invoices and ensures that ITC claims are legitimate. Therefore, the policymaker or trade negotiator today is much more aware of domestic production and, to some extent, the consumption and distribution parts through e-way bills, with the most appropriate classification codes applied directly.

Table 3: India's Journey of Bilateral Trade Deals/FTAs: Neighbourly- Multilateralism-Bilateralism

S.N.	Year	Agreement	Agenda / Primary Objectives
1	1972	India-Bhutan Agreement on Trade, Commerce & Transit	Friendship, economic cooperation, and strategic necessity.
2	1975	Asia Pacific Trade Agreement	Market Diversification, Strategic Balance and South-South Trade
3	1991	Indo-Nepal Treaty of Trade (Revised 2009)	Strengthened economic, social, and bilateral trade, provided an LDC with preferential access, and ensured transit rights for its trade.
4	1995	World Trade Organisation	Goods (Ag. & Non. Ag.), Services, TRIPs, DSM and Several other binding commitments.
5	1998	India-Sri Lanka FTA (ISLFTA)	South-South trade, duty-free access, strengthening economic integration, and regional cooperation, and safeguarding sensitive sectors.
6	2004	South Asian Free Trade Area (SAFTA)	South-South trade, regional economic integration among SAARC countries
7	2004	India-MERCOSUR PTA	South-South trade cooperation covers a limited list of tariff concessions on goods.

S.N.	Year	Agreement	Agenda / Primary Objectives
8	2006	India-Singapore (reviewed and upgraded in 2018)	Laid the foundation for trade liberalisation, services access, and investment flows. In 2018, the agreement was modernised to include digital trade, updated tariff schedules, and stronger investment protections.
9	2006	India-Chile PTA	Entered into force in 2007; expanded in 2016, South-South economic cooperation
10	2009	India-ASEAN FTA (Goods)	Expand trade through tariff reduction, integrate with Southeast Asia's supply chains, pursue strategic economic cooperation, and protect sensitive domestic sectors; look east policy.
11	2010	India-South Korea CEPA	Deepen bilateral trade, provide preferential access for goods and services, attract investment , and strengthen strategic cooperation in technology, intellectual property, and supply chains.
12	2011	India-Japan CEPA	Deep integration in trade, investment, and technology is the most ambitious aspect of India's bilateral trade deal. Its agenda goes beyond goods trade to cover services, investment, intellectual property, and cooperation in advanced sectors.
13	2011	India-Malaysia CECA	Trade in goods, services, investment, and economic cooperation, Look East Policy.
14	2015*	India-ASEAN FTA (Services & Investment)	Broadened scope beyond goods. Pushed for a review and an upgrade to rebalance trade and expand access to services.
15	2022	India-UAE CEPA	Negotiated in 88 days; strategic Gulf partnership, ambitious trade deals with a Gulf partner and economic and strategic
16	2022	India-Australia ECTA	The first trade deal with a developed country , both economically and strategically, diversifies trade partners and deepens Indo-Pacific cooperation.
17	2023	India-Mauritius CECPA	First African FTA ; both economic and strategic, to expand market access, deepen South-South cooperation, and strengthen presence in the Indian Ocean region.
18	2024	India-EFTA TEPA	First FTA with a European developed bloc. Aimed at boosting Goods, services, bilateral investment commitments , intellectual property, trade facilitation, and sustainable development.
19	2024	India-UK FTA	Boosting Goods, Services, Investment and Non-Trade Concerns
20	2025	India-Oman CEPA	Duty-free access to most goods, deepen services and investment cooperation , and strengthen strategic presence in West Asia
21	2026	India-EU FTA	Secure deeper market access, boost services trade, attract investment, strengthen strategic, rules-based trade & sustainability and Skilled Mobility.
22	2026	India-New Zealand FTA	Exports, investment, safeguard sensitive sectors like dairy & agriculture, cooperation in services, talent mobility, & health and traditional medicine.
23	--	India-USA interim framework	A reaction to the unilateral reciprocal tariffs
New Trade Agreement Initiatives			
24	--	India-Canada CEPA	Double bilateral trade to USD 50 billion by 2030, while expanding cooperation in technology, energy, education, and defence.
25	--	India-Israel	Unlock untapped trade potential across technology, defence, agriculture, and innovation.

Note: * Low utilisation.

Source: Authors based on various secondary literature, such as websites and newspapers.

Post-2016, it has been traced to the shift from rigid “negative lists” of excluded products to more flexible instruments such as tariff rate quotas (TRQs), reflecting a broader liberalisation strategy that balances market access with domestic sensitivities. The increased use of TRQs in FTAs reflects a strategic compromise; such a trade policy tool allows it to secure domestic investment and export opportunities while shielding politically sensitive sectors from full liberalisation.

Table 3: India’s trade engagement began nearly five decades ago, when it signed its first trade deal with Bhutan. Most of the early engagements, such as Bhutan, APTA, Nepal, SAFTA, and Sri Lanka, had two broad objectives: social and strategic engagement. One of India’s earliest trade deals with Bhutan was driven by friendship and strategic considerations. It combined strategic security concerns with Bhutan’s economic development needs. The 1949 Treaty of Friendship laid the foundation, but the formal trade agreement of 1972 reflected Bhutan’s need for structured economic cooperation alongside India’s geopolitical interest in ensuring stability in the Himalayas. India guaranteed Bhutan’s sovereignty while guiding its external relations, and free trade and commerce were implicit in this treaty. The 1972 agreement, a formal trade and commerce agreement, was revised in 1983, 1990, 1995, 2006, and 2016, institutionalising tariff-free trade and transit arrangements. (Bhutan-India Trade Relations, 2026)

The APTA was signed to strengthen intra-regional trade, secure preferential market access, and deepen economic cooperation with key Asian economies, particularly China, Korea, Lao PDR, Bangladesh, and Sri Lanka. Mongolia became the seventh member of APTA in 2021. (UNESCAP, 2020) It reflects India’s broader strategy of diversifying trade partnerships beyond bilateral deals and WTO frameworks. One of the objectives was also to counterbalance China’s growing influence in Asia. APTA chose the Margin of Preference (MOP) approach instead of outright tariff elimination or reduction because it was designed as a low-commitment, flexible framework for developing countries. MOP allowed members to grant partial tariff concessions while retaining policy space for domestic industries. Across several products, Product-Specific Rules (PSRs) apply to chemicals, pharmaceuticals, metals and minerals, footwear, and rubber. (SEZ, n.d.)

Many of the bilateral deals with countries like Nepal (1991), MERCOSUR (2004), and Chile (2004) had three agendas: cooperation (friendship), strategic cooperation, and south-south cooperation. Nepal, with nearly 70% of its exports and nearly 65% of its imports with India, reflects the full utilisation of geographic proximity, open borders, and deeper institutional ties (e.g., bilateral treaties, shared infrastructure, and energy interdependence). However, the trade agreements with the two LACs played a very limited role in deepening trade.

World Trade Organisation: 1995 Onwards

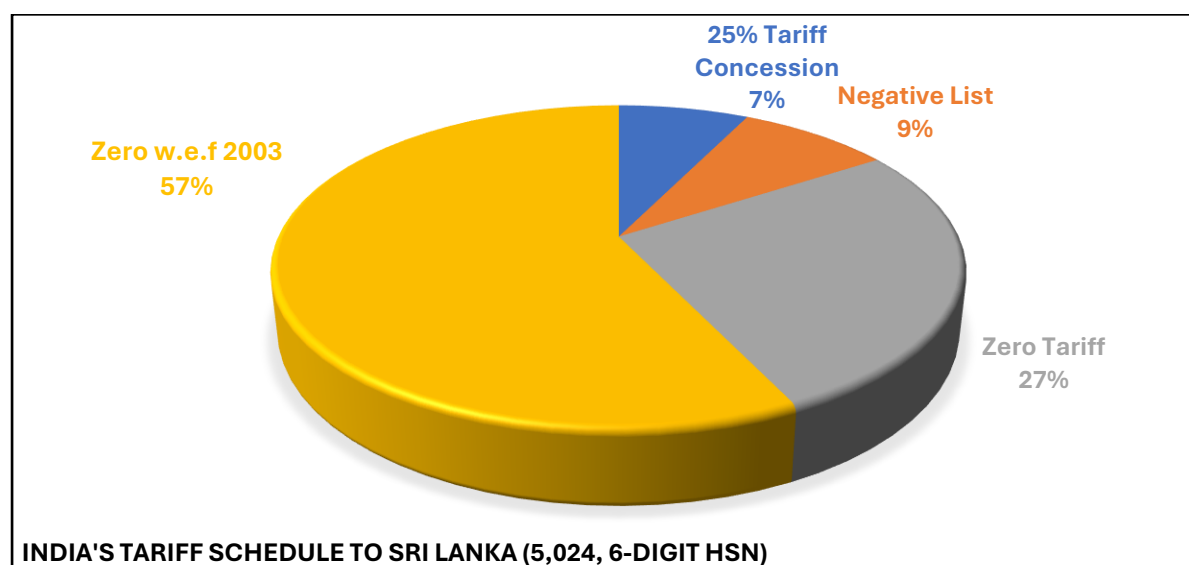
India’s (1995 and 2025), the WTO’s negotiations were framed around the “developmental role” of trade, especially through the Doha Development Agenda (DDA,

2001), but progress was uneven. (WTO, 2006) India's role in promoting the developmental dimension at the WTO was central and often assertive: it consistently championed the interests of developing countries, pushed for fairer agricultural trade rules, defended policy space for industrialisation, and resisted pressures to dilute Special and Differential Treatment (SDT). While India helped keep development concerns alive in negotiations, its stance divided the global players with high ambition levels across the Non-Agricultural Products Line-by-Line, against the three-tier reduction in agricultural products. (Dhar & Kallummal, 2006), (Kallummal, 2006), (Ramdasi, 2010) India played a leadership role in South-South coalitions (G-20, G-33, NAMA-11), amplifying the voice of developing countries; therefore, during this period, it signed bilateral deals aligned with this agenda. India consistently highlighted the asymmetry in subsidies, noting that developed countries maintained high levels of farm support while demanding liberalisation from developing nations. India's leadership ensured that developmental concerns remained central to the Doha Round agricultural talks. While some agreements, such as the 2013 trade facilitation agreement (TFA), advanced development-oriented goals, broader negotiations stalled, limiting the WTO's ability to deliver on its promise to integrate developing countries more equitably into global trade.

India -Sri Lanka FTA

It was only in 2005 that India and Singapore signed their first FTA, with a focused direction from the top government toward a strategy popularly known as the Look East policy. The India-Sri Lanka Free Trade Agreement (ISFTA) in 2000 significantly expanded trade between the two countries. Economic ties between the two nations also include a flourishing development partnership that encompasses infrastructure, connectivity, transportation, housing, health, livelihoods and rehabilitation, education, and industrial development. (High Commissioner of India, 2023) As a result of ISLFTA, 4150 Indian tariff lines have been made zero-duty for Sri Lankan exports to India. Similarly, 3932 tariff lines have been made zero duty for Indian exports to Sri Lanka. India has offered quotas to Sri Lanka on certain tariff lines (a) 15 million tonnes of tea (5 tariff lines) with 50% margin of preference and no port entry restrictions since June 2007; (b) Textiles, where there is a 25% tariff reduction for 528 Textile items; and (c) Garments where there is 50% margin of preference on 8 million pieces over 233 tariff lines. India reduced duties to zero and removed restrictions on entry ports and on sourcing fabrics from India for 3 million pieces of apparel from Sri Lanka. Now, 1180 tariff lines remain in Sri Lanka's negative list, which includes agricultural/livestock items, rubber products, paper products, iron and steel, machinery, and electrical items.

Figure 5: India's Tariff Modalities under the ISFTA of 1998/2000.



Source: Authors

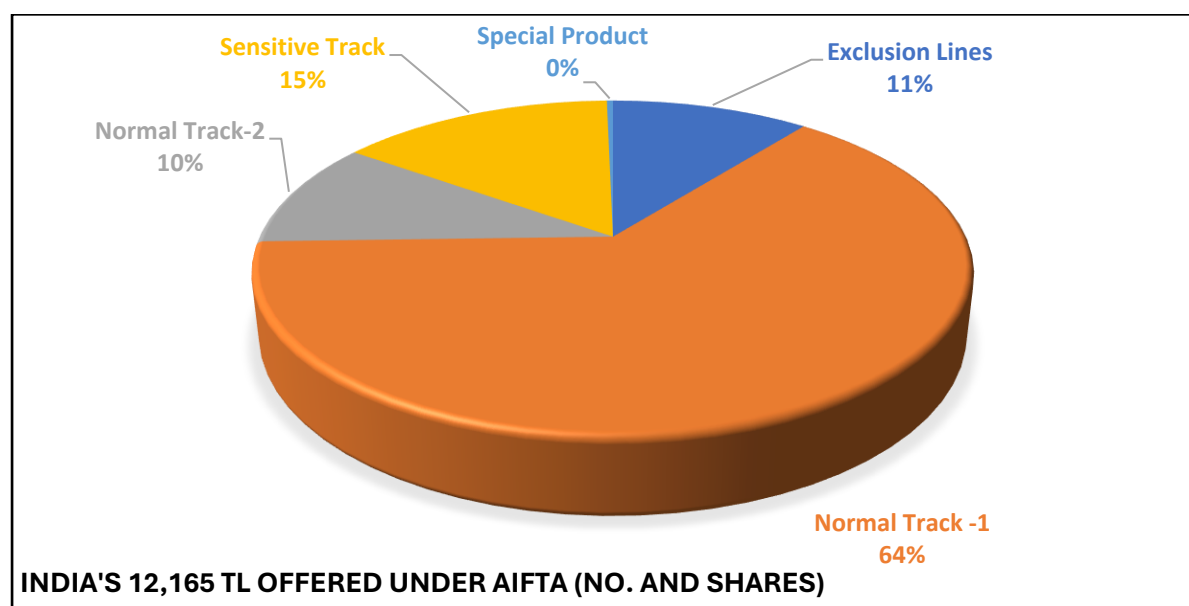
On the Indian side, there are 431 items in the negative list, including garments, plastic products, and rubber products. India has traditionally been among Sri Lanka's largest trade partners, and Sri Lanka remains one of India's largest trade partners in SAARC. Interestingly, only about 5% of India's total exports to Sri Lanka in the past few years have used the ISFTA provisions, thereby indicating their overall competitiveness in the Sri Lankan market.

ASEAN-India FTA

The ASEAN-India Free Trade Agreement (AIFTA), signed in 2009 and implemented in 2010, has expanded India's trade with ASEAN but has also widened trade deficits. While exports grew moderately, imports surged much faster, leading to structural imbalances and limited gains in competitiveness.

An evaluation of the AIFTA bilateral trade flows for the 2011–2019 period suggested that the agreement generated asymmetric effects; India's trade deficit expanded from 4bn. USD to 22 bn. USD, as import elasticity (1.247) significantly exceeded export elasticity (0.321). (Kalita, 2025) It was a direct outcome of the scale reduction under the FTA, with nearly 74% of HSN 9,023 tariff lines committed to complete elimination by 2013 under the Normal Track-1 and by 2019 under the Normal Track-2. Nearly 11 per cent of India's 12,165 tariff lines are national tariff lines; none of the tariff lines is under the TRQs. Leading to India's exports to ASEAN growing moderately, particularly in sectors such as pharmaceuticals, machinery, and chemicals. While imports from ASEAN (notably palm oil, electronics, and machinery) are growing at a much higher rate, the trade deficit has expanded from \$4 billion to \$22 billion between 2010 and 2019. (Veeramani & Saini, 2010), (Francis, 2011), (Ratna & Kallummam, 2013). These were due to substantial gains for ASEAN firms and exporters to India, operating in the ASEAN economies, under preferential tariffs, a fall from MFN-bound rates in 2010 to complete elimination under the AIFTA.

Figure 6: AIFTA and India's Single Tariff Modalities Offered.



Source: Authors based on AIFTA Tariff Schedules.

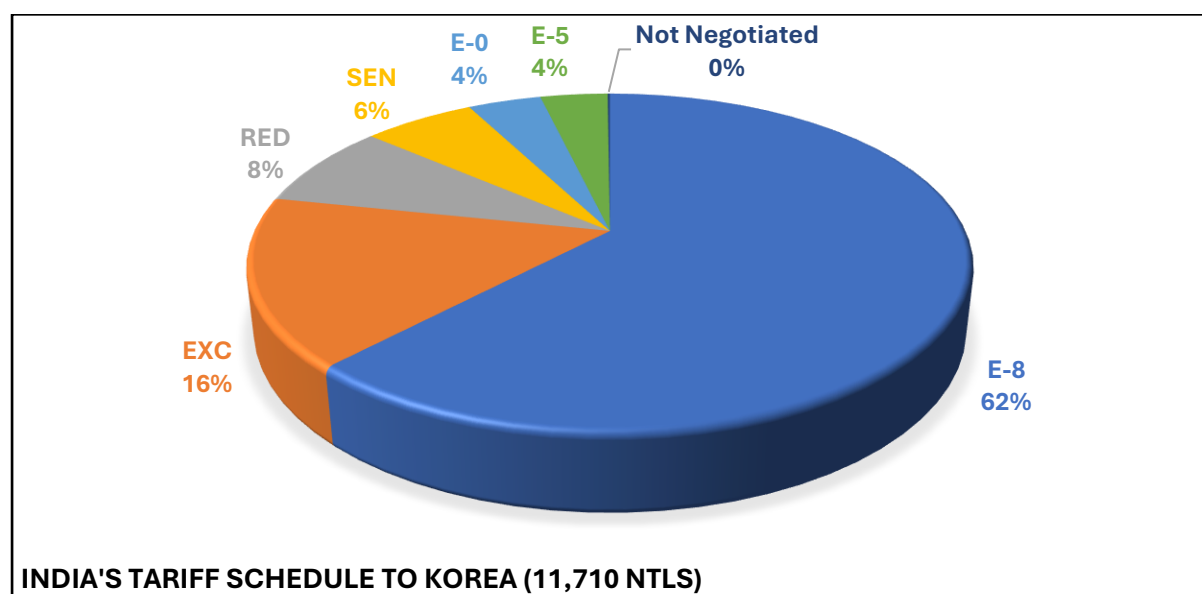
India's Market access is also influenced by non-tariff measures (NTMs) imposed by the ASEAN economies, and the paper examines whether India's free trade agreements (FTAs) with ASEAN have reduced the trade-impeding impact of these NTMs. Trade policy tools such as sanitary and phytosanitary measures, technical barriers to trade, quality control measures, measures affecting competition, and trade-investment measures have positively impacted India's exports to ASEAN. (Takkar, Ittika; Bhattacharjee, Mahua ; Tandon, Anjali ;, 2025) Another study in 2015 observed that nearly 45% of the NTMs (SPS and TBT) were national measures under the AIFTA. (Kallummal, Murali;, 2015) suggesting that the immediate need is to address these variances at the national level. Suggesting both regional standards and efforts for Mutual Recognition Agreements (MRAs) between regulators in India and the ASEAN 10 economies.

India-Korea CECA

The India-Korea CECA is the first major bilateral trade agreement with an OECD country, aiming to deepen trade, investment, and services integration, and to strengthen strategic cooperation in technology, intellectual property, and supply chains. South Korea reduced tariffs on 90% of Indian goods over 10 years, while India committed to reducing tariffs on 70% of Korean goods. It retains nearly 16% share under the negative list (exclusion), as shown in Figure 7.

Nearly 30% of India's offers were either under the NL, subject to reduction, or on sensitive tariff lines, where tariffs are not eliminated and are therefore not strictly recorded as free trade lines. Korea's concessions were broader in coverage, while India retained more sensitive products (agriculture, textiles, automobiles, chemicals). Despite India's 70% concessions against Korea's higher concessions, India has consistently run a trade deficit with Korea, importing high-value goods (electronics, steel, machinery) while exporting lower-value items.

Figure 7: India-Korea CECA Tariff Modalities Offered by India.



Source: Authors based on the CECA Tariff Schedules of India,

The trade deficit under CEPA is due not only to tariff asymmetries but also non-tariff measures (NTMs), particularly Technical Barriers to Trade (TBT) and Sanitary & Phytosanitary (SPS) standards. These measures often restrict India's agricultural and processed-food exports, whereas Korea's high-value industrial exports face fewer comparable barriers. Korea applies strict food safety and quality standards; these NTMs reduce India's effective market access, even when tariffs are lowered. Under the CECA, India converted all non-ad valorem tariffs to ad valorem tariffs to facilitate Korean firms' access. India historically used a mix of tariff instruments, including specific duties (e.g., ₹ per kg), compound duties, and mixed formulas, especially in sensitive sectors such as agriculture and textiles. To facilitate Korean firms' market access, India agreed to convert all non-ad valorem tariffs into ad valorem equivalents (AVEs).⁵ Similar efforts were undertaken in Japan and ASEAN FTAs to provide predictable and transparent tariffs for partner exporters.

Table 4: India-Korea CECA NTMs Challenges

S.N.	Sector	India's Exported Sector	Relevant NTMs in Korea	Impact on India's Trade
1	Ag. & food Products	Spices, tea, fruits, dairy, seafood	SPS measures: strict food safety, pesticide residue limits, quarantine checks	• Does align with EU Standards, in certain areas, especially food safety certification, electronic SPS documentation, and recognition of EU certificates, through formal cooperation agreements; • Supply chain integration needs to comply with Korean standards; and • High rejection rates, delays, and compliance costs limit India's Agri-export potential

⁵ See for details, https://www.indembassyseoul.gov.in/cepa?utm_source=copilot.com.

S.N.	Sector	India's Exported Sector	Relevant NTMs in Korea	Impact on India's Trade
2	Pro. 'd Foods	Biscuits, confectionery, packaged foods	SPS measures: hygiene, packaging, shelf-life standards	- Indian SMEs face high compliance costs, reducing competitiveness, and - Required strict labelling, nutrition disclosure, allergen information, and hygiene certification.
3	Textiles & Apparel	Cotton yarn, fabrics, garments	TBT measures: labelling, eco-standards, chemical use restrictions	"Yarn-forward" rule of origin framework under the U.S.–Korea Free Trade Agreement (KORUS FTA) @; and - Compliance burden; MSMEs struggle to meet Korean technical standards
4	Auto. & Auto Parts	Limited exports (components, tyres)	TBT measures: safety, emissions, certification	- Korean firms (Hyundai, Kia, etc.) have both invested in wholly owned subsidiaries (WOS) in India; Technology transfer in areas like EV batteries, electronics, and lightweight materials; and - Korean standards are stringent; India's auto exports remained marginal.
5	Chemicals & Pharma	Generic drugs, organic chemicals	TBT measures: registration, testing, certification	- India exports organic chemicals, dyes, intermediates, and speciality chemicals; firms have entered JVs with Korean biotech companies in biosimilars, vaccines, and advanced therapies, most notably Biocon, Syngene International, Stempeutics, Dr Reddy's Labs, Immuneel Therapeutics, and Wockhardt, partnering with Korean players like SK Biosciences, LG Life Sciences, Daewoong Pharmaceutical, and Lab Genomics - Regulatory hurdles slow approvals; India underutilises CEPA preferences
6	IT & Services	Software, IT services	Fewer NTMs (services liberalisation limited)	- Indian firms offer business process outsourcing, customer support, and back-office services; - Indian IT majors (Infosys, TCS, Wipro, HCL) establish delivery centres and partnerships to support Korean digital transformation; and - Potential growth area, but CEPA's services chapter is underutilised

Note: @= Fabric formation and final garment assembly both occur within the FTA partner countries;
Source: Author based on the WTO (STC), SPS and TBT database of the CWS.

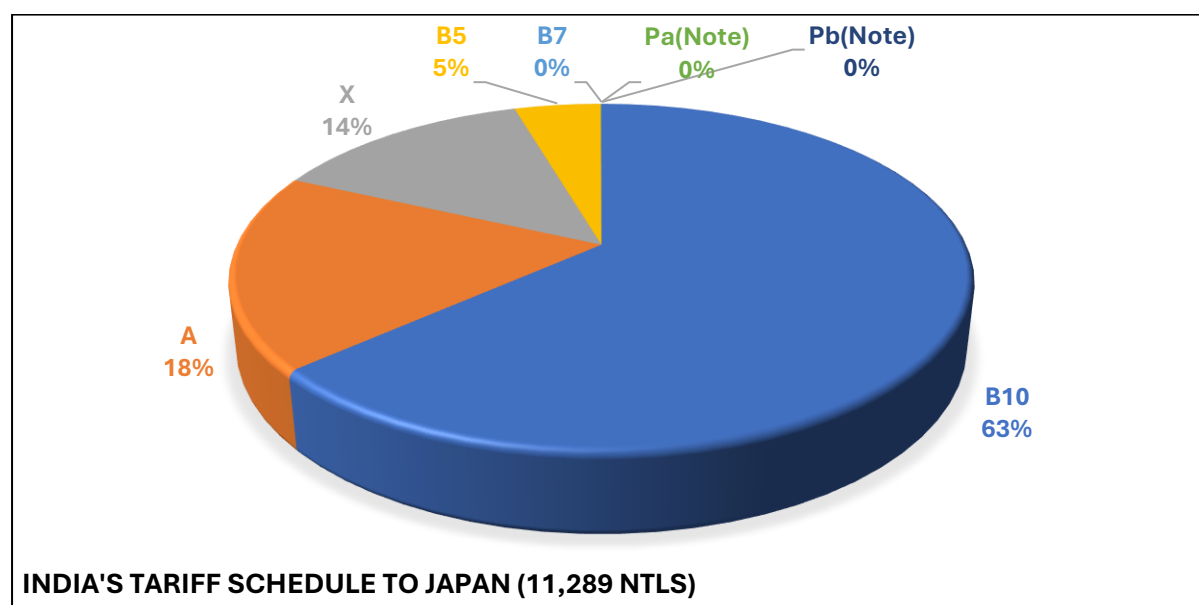
India's objectives are to deepen bilateral trade, provide preferential access for goods, attract investment, and strengthen strategic cooperation in technology, intellectual property, and supply chains. These objectives were not fulfilled owing to the market-access advantage of Korean firms, which are well integrated and connected to the OECD market. Deeper integration through participation in regional value chains (RVCs) via backward or forward linkages was not possible due to the challenges encountered, as shown in Table 3.

Further, technology exchange under the FTA through investment is possible only if investments are made through joint ventures. In the textiles and apparel sector, the Cotton & Yarn, Ready-Made Garments, Technical Textiles, Home Textiles, and Synthetic Fibres need to be different, as different as possible. The five segments differ in challenges, such as competition from ASEAN suppliers, high Korean fashion standards, compliance with private standards, eco-labels, branding & design adaptation, and, finally, input cost volatility.

Japan-India CEPA

India's tariff concessions under the India–Japan CEPA covered a wide range of industrial and agricultural products, but India excluded a significant share of sensitive tariff lines, particularly in agriculture. About 14% of India's tariff lines, which were concentrated in agriculture and sensitive food products, were excluded, reflecting India's defensive interests in protecting farmers and rural livelihoods.

Figure 8: India-Japan CEPA Tariff Modalities Offered by India.



Source: Authors based on the CECA Tariff Schedules of India (<https://www.commerce.gov.in/international-trade/trade-agreements/india-japan-cepa/>)

Conversely, Japan's tariff concessions mainly targeted industrial goods, chemicals, and some processed foods. It excluded a significant portion of sensitive agricultural products, with nearly 15% of Japan's tariff lines being excluded, including rice (highly protected by Japan's domestic policies), dairy products (such as milk, cheese, and butter), meat and poultry, and certain processed foods that are considered sensitive for Japanese farmers. India offered tariff elimination or reduction on automobile parts, machinery, chemicals, and electronic goods under four of its tariff modalities, as shown in Figure 7. These are categories like A (18%), B5 (5%), B7 (01%) and B10 (63%), Pb_a/Pb_b (3%) and also, in addition Japan offered approximately A, (68%), B10 (7%), B7 (5%), B5 (4%) and Pb_a/Pb_b (Partial reductions) approximately 3%. TRQs were not used under the FTA. India and

Japan signed the CEPA to liberalise and eliminate tariffs. India's exports increased, but the gains were limited only to fishery products.

The non-tariff measures (NTMs), sanitary and phytosanitary measures, and technical trade barriers are applied to each tariff line; India's bilateral trade negotiation process should take these NTMs into account. Devise strategies to address it when it engages with a new trade partner in FTA negotiations, and then harmonise partners' barriers by understanding producers' and processors' needs across agricultural products, encouraging the increased application of WTO-compatible NTMs. (Kallummal, Murali; Mohd, Mouzam Shaikh, 2021)

Table 5: India-Japan CEPA NTMs Challenges

S.N.	Sector	Indian Firms' Focus	CEPA Benefits	Challenges and Impact on India's Trade
1	Pharma & Chemicals	Generics, APIs	Duty-free access	• Strict requirements for clinical data, GMP certification, and pharmacovigilance; • Especially in green chemistry & sustainable production; and • Regulatory compliance
2	Textiles & Clothing	Cotton yarn, apparel	Tariff concessions	• Complex documentation and rules of origin; • Buyers demand high quality, precision finishing, and strict compliance with safety and eco-labelling norms; • Fashion-driven, small-batch, and quality-sensitive; and • Quality standards
3	Proc. 'd Foods	Seafood, packaged foods	Preferential access	• SPS compliance, packaging innovation, and branding; • Stringent microbiological and allergen standards; • Eco-friendly materials, recyclable content, tamper-proof seals, and • SPS and TBT barriers.
4	Auto's	Auto parts, ancillaries	Technology Transfer	• Stringent safety, emission, and performance standards (aligned with UNECE and EU norms). • OEMs demand just-in-time delivery, lean manufacturing, and zero-defect quality. • Strategic, Technology gaps, increase R&D by seven OEMs: Toyota, Honda, Nissan, Suzuki, Honda, Mitsubishi, and Isuzu Motors
5	IT & Services	Software, consulting	Services commitments	• Language & cultural adaptation

Note: Pharmacovigilance is the science and activities related to detecting, assessing, understanding, and preventing adverse effects or any other drug-related problems throughout a medicine's life cycle.

Source: Author based on CWS online databases on SPS and TBT measures (<https://cc.iift.ac.in/spis/index.asp>; <https://cc.iift.ac.in/tbt/index.asp>) and Trade Concerns data from <https://tradeconcerns.wto.org/en>.

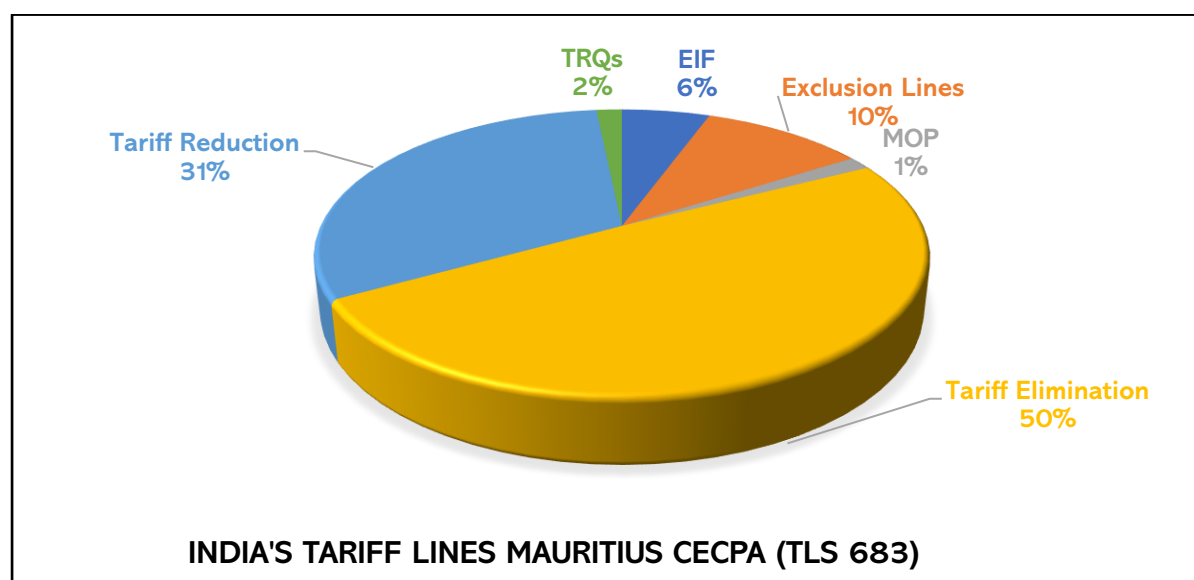
The auto components, machinery, and steel gained preferential access to Japan's market, and Indian suppliers integrated into Japanese OEM supply chains, especially in the automotive and electronics sectors. Tariff concessions helped Indian firms expand exports of chemicals, textiles, and processed seafood. Under the CEPA, Indian firms received preferential access, opportunities for supply chain integration, and technology collaboration. The success of these firms depended on quality upgrades, eco-compliance, and building trust with Japanese partners to supply globally. Larger firms benefited more, while MSMEs struggled to fully utilise the potential of the India-Japan CEPA. Japan's

regulatory approach lies between the EU's strict, science-based standards and the US's market-driven approach, but in practice it leans more towards the EU model. Japan's regulatory philosophy is much closer to the EU's science-oriented, stringent standards than to the US's commercial, market-driven approach.

India-Mauritius CECPA

The India–Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA), signed in February 2021 and entered into force on April 1, 2021, represents India's trade cooperation and partnership with an African nation. The total disaggregates Tariff Modalities were 24 in number, with largest concentration of 70% of the preferential tariffs were under the TM, like the tariff elimination in 10 years with 193 TLs and a share of 28%, followed by TE in 3 years with 72 TL and 11%, tariff elimination was scheduled in 42 TL with 6% coverage in five years. The tariff reduction was 5 percentage over 5 years (66 TLs with 10% shares) and 5 percentage across 41 TL with 6% shares.

Figure 9: India-Mauritius CECPA Tariff Broad Modalities Offered by India.

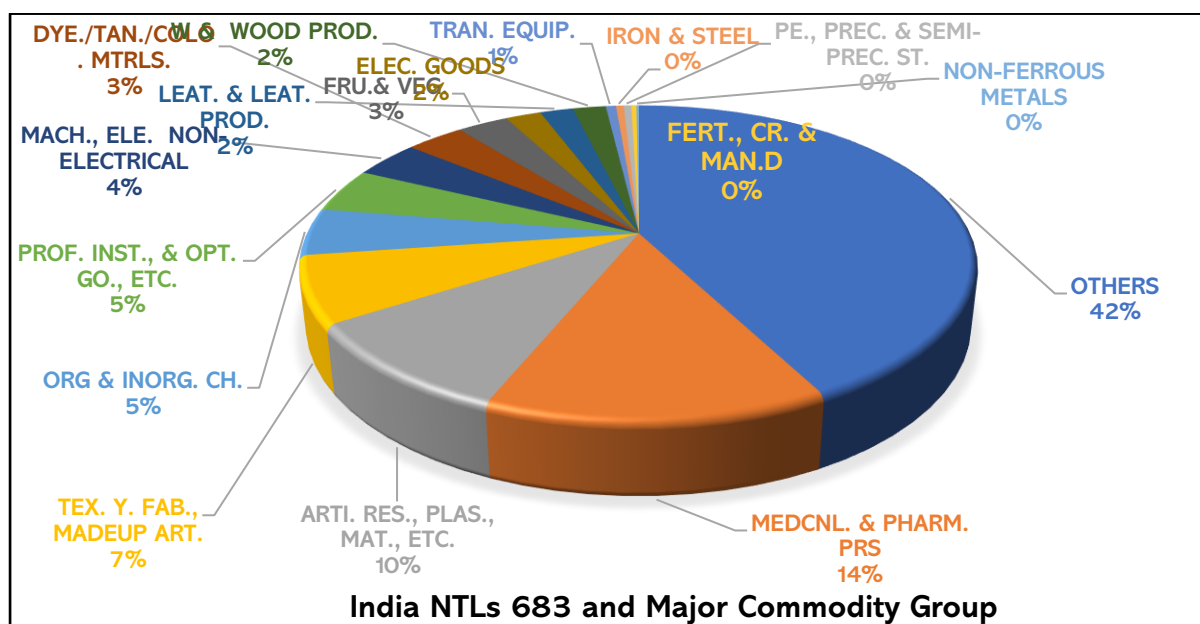


Source: Authors based on the CECPA Tariff Schedules of India ()

The “Others”⁶ category with 42% shares, suggesting that India offered wide-ranging tariff lines, but the concentration in pharma, plastics, textiles, and chemicals highlights priority sectors; see Figure 10. The tariff rate quotas were applied across 11 tariff lines, with the highest in Alcoholic beverages (3 tariff lines). 2 tariff lines were applied across two PCGs, such as fresh fruits and spices. One tariff line across four PCGs, such as floriculture products, marine products, ready-made goods in wool, and sugar. TRQs are a safeguard tool that allows preferential access while capping volumes to prevent market disruption.

⁶ With Principle Commodity Groups like Alcoholic beverages; Books, publications and printing; Cereal preparations; Floriculture products; Glass and glassware; Gold and other precious metal jewellery; Handcrfs(excl.handmade **carpets**); Handloom products; Manmade yarn, fabrics, made-up; Marine products; Misc. processed items; Molasses; Natural silk yarn, fabrics, made up; Other commodities; Packaging materials; RMG cotton incl accessories; RMG manmade fibres; RMG of other textile material; RMG silk; RMG wool; Spices; Sugar; and Wollen yarn, fabrics, made-up etc;

Figure 10: Major Commodity Group and India-Mauritius CECPA



Source: Authors.

The primary objective of this agreement is to bolster trade in goods and services, encompassing sectors such as agriculture, textiles, pharmaceuticals, and financial services, with an additional provision for the Automatic Trigger Safeguard Mechanism. The ATSM in CECPA is the only Indian free trade agreement (FTA) to explicitly incorporate such a provision as of 2026. The CECPA permits India to temporarily suspend or modify tariff concessions if imports of specific products exceed predetermined thresholds. This provision safeguards domestic industries against potential harm from sudden surges in imports while maintaining compliance with World Trade Organisation (WTO) regulations.

Table 6: India-Mauritius CECPA - Automatic Trigger Safeguard Mechanism

S.N.	Features	Details as per the CECPA
1	Trigger threshold	Pre-determined import volume or value levels for sensitive products
2	Automatic activation	Lengthy investigations; safeguard applies once the threshold is breached
3	Temporary Suspension	Suspend or modify tariff concessions (limited period)
4	Product coverage	Coverage of sensitive goods where India has granted tariff concessions to Mauritius.
5	Review mechanism	Joint Committee oversight under CECPA to ensure fair application.

Source: Authors.

This is a unique provision under India's CECPA, innovative for its automation, its reduction of bureaucratic delays, and its alignment with global best practices. However, it must be carefully managed to avoid being perceived as protectionist. It applies to sensitive products where tariff concessions were granted (e.g., sugar, textiles, processed foods). Similar provisions have existed across the US–China Phase One deal (2020)⁷ and Japan–Australia EPA (2015)⁸. Both of which are volume-based triggers for beef and agricultural

⁷ See for details, <https://ustr.gov/phase-one>.

⁸ See for details, <https://www.dfat.gov.au/trade/agreements/in-force/jaepa/japan-australia-economic-partnership-agreement>.

imports in the latter. The ASEAN–China FTA (2014) included a similar provision that triggers safeguards for rice and sugar products.

The EU–South Korea FTA (2011)⁹ protected by the introduction of automatic safeguards for sensitive goods like automobiles and textiles. While the US–Mexico–Canada Agreement (USMCA, 2020)¹⁰ had similar provisions on special safeguards for dairy and poultry using quotas with automatic tariff reversion, a mechanism similar in objective.

Table 7: Pre and Post DDA: Growing Protectionism Across FTAs

S.N.	FTAs	Post – DDA (Protection Features)	Contrast with Pre-DDA
1	USMCA (2018)	Dairy & poultry safeguards, stricter auto rules of origin	NAFTA (1994) was more liberalising, but the TRQs were used
2	EU–Korea FTA (2011)	Safeguards for autos & textiles	Earlier EU FTAs had faster tariff cuts; TRQs were used
3	RCEP (2020)	Long tariff phase-outs, exclusions for agriculture	ASEAN FTAs (1990s) liberalised faster
4	Japan–Australia EPA (2015)	Beef import safeguards	Earlier Japan FTAs had fewer carve-outs
5	India–Mauritius CECPA (2021)	Automatic Trigger Safeguard Mechanism	India's pre-DDA FTAs (e.g., with Sri Lanka, 1998) had fewer safeguards

Source: Authors based on various agreements.

The Doha Development Agenda (DDA) stalemate fundamentally reshaped the global trade landscape. With multilateral liberalisation stuck, countries pivoted toward bilateral and regional Free Trade Agreements (FTAs) to secure market access and hedge against uncertainty. However, unlike the pre-Doha-era and post-Doha-era (2012 onwards) FTAs, the pre-Doha-era and post-Doha-era (2012 onwards) FTAs often placed greater emphasis on domestic market protection and regulatory sovereignty. India's withdrawal from the RCEP could explain why the embedding of ATSM in CECPA also reflects the post-Doha protectionist trend in Indian FTAs.

India-Onam CEPA

India's FTAs are gradually shifting from rigid “negative lists” of excluded products toward more flexible instruments like tariff rate quotas (TRQs), reflecting a broader liberalisation strategy that balances market access with domestic sensitivities. The increased use of TRQs in FTAs reflects a strategic compromise; such a trade policy tool allows it to secure the domestic investment and export opportunities while shielding politically sensitive sectors from full liberalisation.

The India–Oman Comprehensive Economic Partnership Agreement (CEPA), signed in December 2025, is India's second CEPA in the Gulf, after the one with the UAE. It aims to deepen trade, investment, and technology ties, with India offering major tariff concessions in labour-intensive sectors while Oman provides preferential access in

⁹ See for details, https://trade.ec.europa.eu/access-to-markets/en/non-eu-markets#letter_K.

¹⁰ See for details, <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement>.

petrochemicals, metals, and energy. Roughly 80–85% of tariff lines are liberalised, while sensitive agricultural and food products remain excluded.

Table 8: India's Schedule under the India-Oman CEPA

S.N.	India's Modalities under The FTAs with Oman	Tariff Lines(no.)	% share
1	TEI	6228	49.6
2	EXC	2789	22.2
3	TEP over 5 years	2028	16.2
4	TEP over 10 years	488	3.9
5	TR of 50% over 5 years	400	3.2
6	TEP over 7 years	297	2.4
7	TR of 50% over 10 years	186	1.5
8	TEP over 10 years (5-year moratorium)	36	0.3
9	TRI up to 2.5%	30	0.2
10	TR of 50% over 10 years (5-year moratorium)	20	0.2
11	TR of 50% over 5 years with TRQ (3-year average import for CY 2018, 19, 21)	18	0.1
12	TR of 50% over 5 years (Cumulative TRQ of 150 KTA for 7 TLs phased over 7 years with 75 KT in Year 1)	6	0.0
13	TEP over 5 years (TRQ of 150% of 3 years moving average volume)	5	0.0
14	TEP over 10 years with TRQ (preceding 3-year moving average imports for Years 1 to 3, 115% of preceding 3 years TRQ utilisation from Year 4 onwards)	3	0.0
15	TR of 50% over 5 years (Cumulative TRQ of 75 KTA for 3 TLs phased over 7 years)	3	0.0
16	TR of 50% over 5 years with TRQ (cumulative 10KT for 39076110, 39076190, 39076930 phased over 5 years)	3	0.0
17	TEI with TRQ of up to 2000 tonnes	2	0.0
18	TR to 25% over 3 years	2	0.0
19	Not negotiated	2	0.0
20	TEP over 10 years with TRQ (preceding 3-year moving average imports for Years 1 to 3, 115% of preceding 3 years TRQ utilisation from Year 4 onwards)	1	0.0
21	TEP over 7 years (5-year moratorium)	1	0.0
22	TR of 50% over 5 years (Cumulative TRQ of 150 KTA for 7 TLs phased over 7 years with 75 KT in Year 1)	1	0.0
23	TR of 50% phased in 5 years (TRQ of 150 KTA)	1	0.0
24	TR over 7 years (TRQ up to 125% of 3 FY average volume)	1	0.0
25	TR to 25 %, MIP of USD 150 per MT and maximum import quota of 100 KTA	1	0.0
26	TR to 25 %, MIP of USD 25 per sq. mt and maximum import quota of 1.5 Mn sq. metre per annum	1	0.0
27	TR to 25% in 3 years	1	0.0
28	TR to 25% in 3 years with TRQ (Cumulative TRQ of 1.5 Mn sq. metre for the three Tariff Lines)	1	0.0
29	TRI of 50%	1	0.0
TRQ lines		47	0.4
India's National Tariff Lines		12,556	100.0

Source: Authors based on the DOC website, <https://www.commerce.gov.in/india-oman-comprehensive-economic-partnership-agreement-old/>.

The variation in tariff modalities in the recent FTAs, beginning with Australia and the UAE, has increased from 12 to 23 under the United Kingdom. The 29 different tariff modalities represent the highest level of differentiation India has ever used in an FTA, surpassing the tariff structures in recent FTAs with Australia, the UAE, EFTA, or Mauritius; see Table

6. The large number of categories (immediate elimination, phased reductions, partial preferences, exclusions, sensitive lists, safeguard-linked concessions and complexities, etc.) makes the Oman FTA the most complex preferential tariff framework India has attempted to implement.

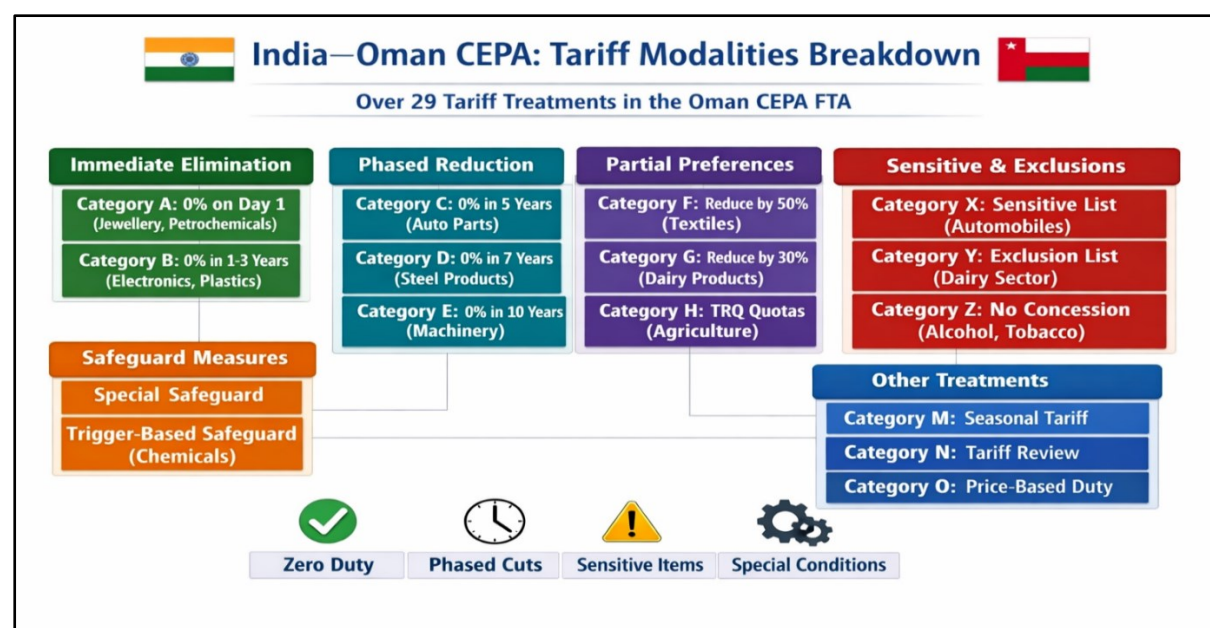
Table 9: Concerns of the Variation in India's FTA Tariff Modalities

S.N.	FTA Partner	Tariff Modalities	Complexity in terms of the unified tariff portal
1	Mauritius CECPA (2021)	Limited liberalisation + ATSM safeguard	Moderate
2	Australia ECTA (2022)	12 modalities, phased liberalisation	Higher
3	UAE CEPA (2022)	12 modalities, sectoral carve-outs	Higher
4	EFTA TEPA (2024)	Focused on industrial goods, fewer modalities	Lower
5	UK (2024)	Multiple sensitive lists, but with 23 modalities	Higher
7	EU (2026)	Tariff Modalities have not yet been made public.	Most probably on the higher side

Source: Authors.

Customs authorities must track 29 distinct tariff treatments at the 8-digit level, each with its own timeline, exceptions, and safeguard triggers. Additionally, firms need to accurately map their products to the correct modality, often requiring specialised trade consultants or legal advisors. Monitoring preferential imports and verifying origin across multiple overlapping categories demands sophisticated IT systems and trained personnel, posing various challenges if India adopts the same approach in other FTAs.

Figure 11: Variation in the Tariff Modalities: An Example



Source: AI Generated by the Authors.

Smaller exporters and importers rarely have in-house trade policy expertise and often rely on external assistance, incurring costs for classification, documentation, and

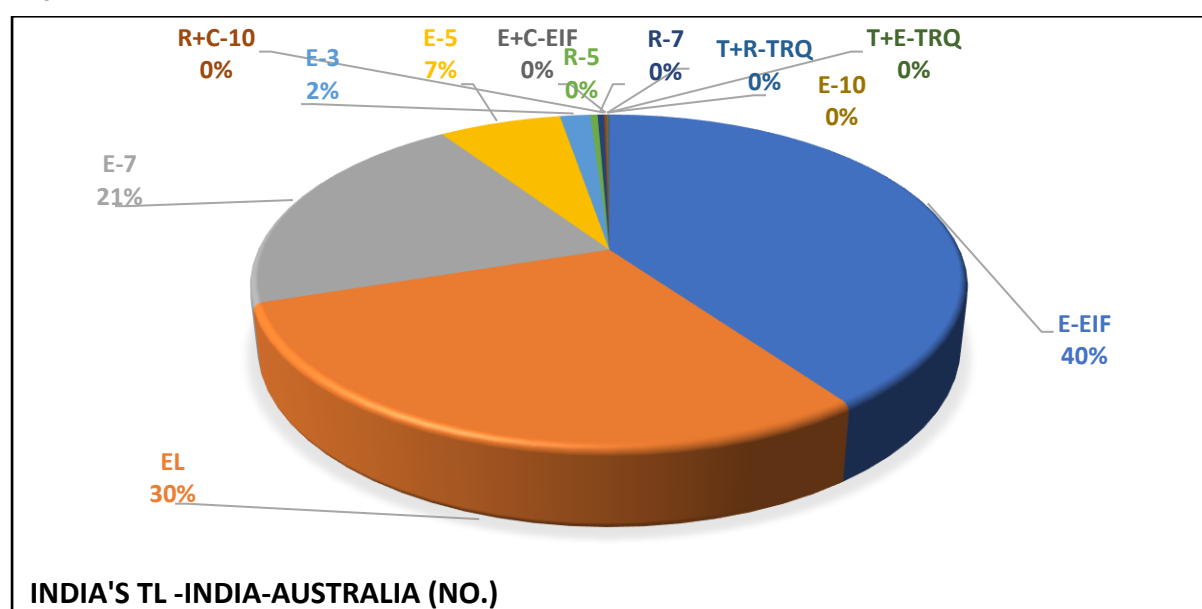
compliance, which add to transaction costs and reduce the benefits of preferential tariffs. This may lead to decreased FTA utilisation, contrary to the government's intent, as many MSMEs might avoid claiming preferences and default to MFN tariffs because the procedural complexity outweighs the savings.

While the design of the Oman CEPA reflects India's desire for precision and flexibility, it also highlights the need for simplified operational frameworks or a balance between domestic protection and market access for the partner. If not addressed, solutions could include digital tariff-mapping tools, MSME-specific help desks, or harmonised templates across FTAs, as shown in Figure 9. Such complexity can complicate implementation, monitoring, and understanding of preferential tariffs across all segments, especially for MSMEs, thereby increasing additional costs.

India- Australia ECTA

As in other bilateral trade deals, expanding market access was expected to be achieved by eliminating tariffs and fostering sectoral cooperation. By 2026, India's exports to Australia will have more than doubled, with all Indian exports now enjoying zero-duty access, aimed at enhancing bilateral trade flows by reducing tariffs and non-tariff barriers by strengthening industry linkages in textiles, agriculture, pharma, gems & jewellery, and machinery, supporting employment and entrepreneurial opportunities in both countries. It was to be achieved by laying the groundwork for a Comprehensive Economic Cooperation Agreement (CECA) to expand into services and investment.

Figure 12: Tariff Modalities under the India-Australia CETA



Note: Duty elimination (E), Reduction (R), TRQ (T), Other condition (C), Exclusion List (EL), {E and R on Customs Effective Rates and AIDC taken together}.

Source: Authors.

India offered preferential access on 70.3% of tariff lines under two categories: elimination (30.3%) and E-EIF (40%). The India-Australia ECTA, which came into force on December 29, 2022, has significantly transformed bilateral trade, with Australia providing zero-

duty access on 100% of tariff lines for Indian exports by January 1, 2026. (PIB, 2026) This agreement has strengthened supply chain resilience in critical sectors such as pharmaceuticals, agricultural products, chemicals, and textiles. Both countries are actively working towards increasing their bilateral trade to AUD 100 billion by 2030. According to reports from the Ministry of Commerce and Industry, the India-Australia ECTA has notably boosted bilateral trade, with India's exports to Australia more than doubling to approximately US\$8.5 billion, and securing zero-duty access for all Indian goods by April 2026. (SMEFUTHERS, 2026) The ECTA has already doubled India's exports to Australia and secured zero-duty access for all Indian goods from 2026. For India, the biggest wins are in textiles, pharma, gems & jewellery, and agriculture, while Australia benefits from wine, nuts, and education services. The next frontier lies in services and investment liberalisation under CECA, which will determine the long-term balance of gains.

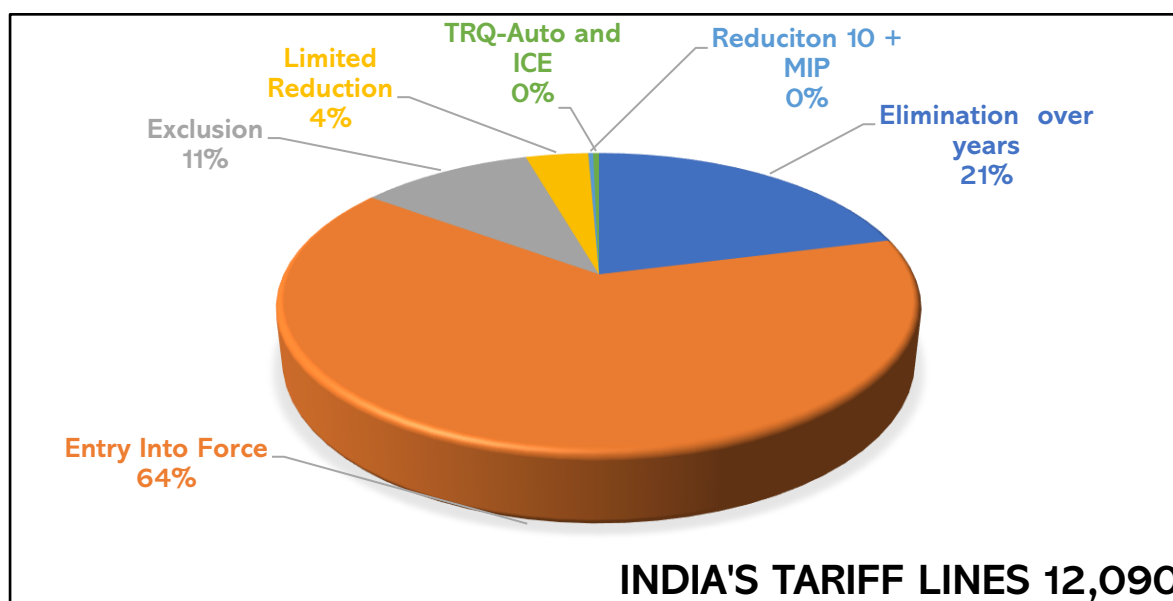
In the pre-2016 FTAs, much more liberalised policies were adopted; for example, in agriculture, textiles, and clothing, all non-ad valorem tariff lines were converted to Ad valorem equivalents (AVEs) and applied to ensure transparent and predictable market access for the partner. While under the ECTA, the non-ad valorem duties were retained as they act as a price stabiliser, shielding domestic producers from import surges when global prices fall. Also, providing greater protection than ad valorem tariffs for low-value, high-volume imports. India viewed these sectors as politically and economically sensitive, requiring insulation from full liberalisation. It suggested a changed approach at the global level across all countries engaging in FTAs, particularly developing countries like India, with additional emphasis on domestic production.

India-UK CETA

The India–UK Free Trade Agreement (FTA), formally called the Comprehensive Economic and Trade Agreement (CETA), was signed in 2025 and presented to the UK Parliament in January 2026. It aims to reduce tariffs, ease non-tariff barriers, and expand market access across goods, services, and investment, marking one of India's most ambitious trade deals with a developed economy.

In the goods sector, tariff reductions across sectors like textiles, apparel, gems, jewellery, and machinery exports from India, and for the UK, benefited from market access, with lower tariffs on Scotch whisky, automobiles, and advanced machinery entering India, with TRQs for some of them. While in sensitive sectors like agriculture and the processing of food products like Indian rice, spices, and processed foods, gain easier entry into UK markets. In terms of **Investment and the service sector**, India secures openings for IT, professional services, and healthcare providers. Additionally, easier and assured movement for Indian professionals, especially in tech and finance. It also provided predictability in **investment flows**, leading to gains for the UK by providing a clearer pathway into Indian infrastructure, renewable energy, and financial services. The strategic significance of the FTA is that it is the first with a developed economy to showcase readiness to integrate into advanced markets.

Figure 13: Tariff Modalities under the India-United Kingdom CETA



Source: Authors based on DOC.

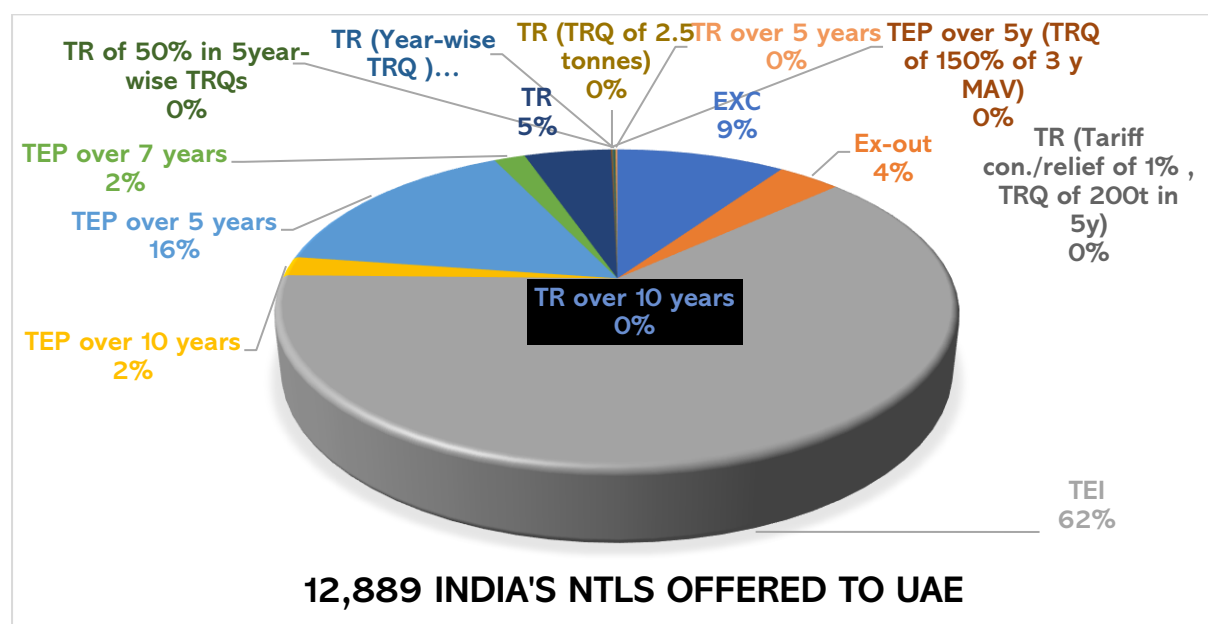
The UK's post-Brexit trade strategy has emphasised diversifying beyond the EU by strengthening ties with fast-growing economies, and agreements like the India–Mauritius CECPA and the Automatic Trigger Safeguard Mechanism are part of that broader narrative. Therefore, Mutual Gains were ensured by India's expansion of exports in labour-intensive sectors, while the UK secured market access for high-value goods and services. Sensitive sectors are managed through TRQs and phased liberalisation, balancing domestic industry protection with market access.

India-UAE CEPA

The India–UAE Comprehensive Economic Partnership Agreement (CEPA) entered into force in May 2022. India eliminated or reduced tariffs on 89% of UAE exports (by value), covering sectors like petrochemicals, metals, gems, and plastics. The UAE offered duty-free access to 97% of Indian exports, including textiles, leather, gems & jewellery, engineering goods, and pharmaceuticals. With 12 different modalities and sectoral carve-outs, the CEPA is listed under the high category of Variation in India's FTA Tariff Modalities. This makes it structurally more complex than agreements like ASEAN CECA or the Japan CEPA, which had fewer carve-outs and more uniform tariff-reduction schedules. The agriculture, dairy, and certain sensitive industrial goods were carved out to protect domestic producers. It is necessary to accommodate variation in tariff modalities with a lower-MFN partner, the UAE, compared to pre-2016 FTAs. India appears to have learned valuable lessons in protecting the domestic sector. The India–UAE CEPA illustrates how India has internalised lessons from its pre-2016 FTAs. Earlier agreements (ASEAN, Japan, Korea) often had fewer modalities and broader liberalisation, which exposed domestic sectors to sharper competition. UAE's MFN tariff profile is already relatively low compared to East Asian partners. India, therefore, had to design variations to protect sensitive sectors while still offering meaningful concessions, see

Table 9. By embedding variation, India retains negotiating leverage and domestic policy flexibility, even within a comprehensive FTA framework.

Figure 14: Tariff Modalities under the India-UAE CEPA



Source: Authors based on DOC.

A total of 34 tariff lines were under the TRQs, covering primary product groups such as copper and copper products (5 TLs), gold (5 TLs), and gold and other precious metal jewellery (5 TLs), as well as 19 national tariff lines for plastic raw materials. TRQs are a controlled liberalisation tool that allows UAE exporters preferential access while capping volumes to protect domestic industries. The focus on primary inputs (copper, gold, plastics) reflects India's balancing act, securing raw material inflows while shielding downstream industries. The jewellery TRQs are particularly interesting, as they touch both trade policy and domestic value-addition debates (India's large jewellery export sector vs. the UAE's re-export hub role). TRQs here are not limited to consumer goods but also encompass strategic raw materials and semi-finished inputs, aligning with India's industrial policy priorities.

The UAE functions as a transshipment hub, and, as a locational advantage, its ports (especially Jebel Ali in Dubai) sit at the crossroads of Asia, Africa, and Europe, making it a natural distribution hub for Indian goods bound for third markets. However, Indian products such as gems, jewellery, textiles, machinery, and food products are re-exported to the UAE. Depending on the nature of trade deals with third countries, the UAE can repackage, relabel, or consolidate these goods and then re-export them to destinations such as Africa, Europe, and the Middle East. This allows Indian exporters to bypass direct logistics challenges and leverage the UAE's connectivity.

In terms of value addition and processing, some goods undergo light processing or assembly in UAE free zones (e.g., polishing diamonds, packaging pharmaceuticals). If a specific process is agreed under the UAE's deal with partners, it confers "UAE-origin"

status on re-exports, which can benefit from the UAE's trade agreements with other countries. Sectors expected to gain include gold and jewellery, with Indian bullion or jewellery entering the UAE and then being re-exported to Africa and Europe; the second sector is pharmaceuticals, where Indian generics enter the UAE and are redistributed to GCC and African markets. Additionally, processed food products such as Indian rice, spices, and tea are consolidated in the UAE before being shipped to West Asia and North Africa.

It can also facilitate through financial and institutional channels, with the UAE acting as a financial clearing hub for payments, trade finance, and currency settlements, often routed through Dubai. Institutions such as the Dubai Multi Commodities Centre (DMCC) facilitate commodity trade (gold, metals, agro-products) with India as a major supplier. It enabled Indian exporters to bypass direct logistics challenges and leverage the UAE's maritime and air networks. All of this would address strategic concerns, such as access to wider markets without having to negotiate separate logistics chains, thereby serving India's interests. The UAE's interest is reinforced by its role as a global trade hub, earning revenue from port services, logistics, and re-export margins. Providing mutual advantages to both parties, the activities in the free zone generate employment and service revenues for the UAE, and, for India, as activities increase, driven by exports, they would provide support for economic activities in targeted sectors.

Table 10: Strategic Concerns of UAE-CEPA

S.N.	Areas	India's Gains	UAE's Gains
1	Logistics & Market Access	Wider market access possibilities across Africa, Europe, GCC, West Asia, without separate logistics chains.	Revenue from port services, warehousing, and re-export margins; reinforced hub status.
2	Value Addition in Free Zones	Gems/jewellery polished, pharmaceuticals packaged, food consolidated → easier entry into new markets.	Employment generation, service revenues, and preferential "UAE-origin" status under trade deals.
3	Financial Clearing	Streamlined payments, trade finance, and currency settlements via Dubai.	Strengthened role as global financial clearing hub; DMCC expands commodity trade – UPI integration
4	Sectoral Impact	Boosts Indian exports in jewellery, pharma, and processed foods.	Diversifies the UAE's service economy, consolidates its role in commodities and re-exports.
5	Strategic Overlay	Addresses supply chain risks and indirectly leverages the UAE's FTAs.	Reinforces UAE's positioning as a global entrepôt, monetising connectivity and institutional depth.

Source: Authors.

However, the Iran-Israel-US war has disrupted the UAE's projection as a stable global trade hub, exposing vulnerabilities in its logistics and financial clearing role. Attacks on Gulf infrastructure and the Strait of Hormuz have strained re-export flows, but the UAE is simultaneously leveraging its free zones and financial institutions to maintain relevance. Dubai's non-oil private sector activity has slowed, with PMI data indicating weaker sales growth amid regional instability. (Omar, 2025)

Central Research Question

In the Indian context, there has been a shift in the use of trade policy tools within India's FTAs. India has moved away from the negative list approach, which excludes certain goods, toward using Tariff Rate Quotas. The trade policy approach under the FTAs has changed significantly across all agreements signed after 2020. Products listed on the “negative list” do not receive any concessions under an FTA. For example, in the India–Sri Lanka FTA (ISFTA), India excluded 429 tariff lines, while Sri Lanka excluded 1,180 tariff lines from liberalisation. These items remain outside of preferential duty reductions. The application of Tariff Rate Quotas (TRQs) allows imports at a lower tariff rate up to a specified quota; tariffs increase once the quota is exceeded. The TRQ mechanism enables controlled liberalisation: opening markets while capping exposure.

The shift, although it offers flexibility in negotiations, is seen as a compromise; partners gain some access, and India retains protection. TRQs are compatible with the WTO and are a recognised tool under the Agreement on Agriculture, unlike blanket exclusions. How have Indian negotiators handled bilateral pressure from major partners (the EU, the UK, and Canada) demanding concessions? TRQs are increasingly used in India's newer FTAs (e.g., with Mauritius, Australia, and the UAE) to manage sensitive goods such as dairy, textiles, and specific agricultural products.

However, applying TRQs across the industrial sector requires examining the presence of the informal sector and MSMEs. The use of tariff rate quotas (TRQs) in India's FTAs raises important questions, as India's industrial landscape is not dominated solely by large corporations; it also includes a large informal sector and MSMEs that are highly sensitive to import competition. It is safer to apply TRQS in sectors with a higher degree of formality, but not in those with a higher level of informality. The application of TRQs in India's FTAs cannot be treated the same way as in agriculture, because India's industrial base is structurally dualistic, with large corporations on one side and a vast informal/MSME sector on the other.

In FTAs with developed countries (which are highly formalised), most production is carried out by registered firms with strong compliance capabilities. Informal or unregistered enterprises exist but are marginal compared to the formal sector. Even MSMEs in these economies are considerably larger than those in India; thus, a direct comparison may yield unexpected results. Consequently, large corporates in India would be comparable to MSMEs in developed countries. Large corporations dominate the industrial base, but SMEs (small and medium enterprises) also play a significant role. Crucially, SMEs in developed economies are usually formalised, integrated into supply chains, and compliant with standards. Kallummal and Khosla in 2022 examined thirty-five countries—Australia, Austria, Belgium, Brazil, Canada, China, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Korea Rep, Lao PDR, Macao, Malaysia, Mexico, Netherlands, New Zealand, Pakistan, Philippines, Russian Federation, Singapore, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Thailand, Turkey, United Arab Emirates, United Kingdom,

United States, and Vietnam. They provided a comparative analysis using a single parameter (the US dollar), revealing differences in endowments and size across MSMEs globally.

MSME analysis has compared highly varied national definitions worldwide, concluding that heterogeneity in MSME definitions is complex. We observe that three criteria were predominantly used to define an MSME: number of employees, annual turnover, and capital assets. Some countries were even found to use a combination of these criteria to specify an entity as an MSME. Of these three criteria, the employee-based criteria were the most commonly used, adopted by around 92% of countries as qualification criteria. However, adopting these criteria as a standard could be problematic. Firstly, due to seasonal variations in employment across sectors. Secondly, with the rapid advancement of technology and artificial intelligence, the number of employees in an enterprise may be negligible, yet their turnover may still be very high. (Kallummal, Murali; Khosla, Simran, 2022)

When India expands the application of TRQ beyond agricultural sectors, it will need to estimate domestic production and consumption gaps, as well as historical imports under the tariff line, which determine the in-quota and out-of-quota tariff differentials. Given the availability of Goods and Services Tax and Central E-Way Bills, trade negotiators can better manage this process. India expanded the application of tariff rate quotas (TRQs) beyond agriculture into industrial sectors; the design must be data-driven. Unlike agriculture, where production and consumption gaps are mostly well tracked, industrial sectors are fragmented, with MSMEs and informal enterprises playing a significant role.

Economics of TRQs and P-TRQs

Developed countries have historically used them to protect sensitive agricultural sectors, while India's post-2016 FTAs show a distinct increase in TRQ usage, reflecting both defensive and liberalising strategies. There has been increased use of Non-Preferential Tariff Rate Quotas (TRQs). TRQs are a trade policy tool that allows a specified quantity of imports to enter at a lower tariff (in-quota rate). In comparison, imports exceeding that amount face a higher tariff (out-of-quota rate). It is based on the economic theory of rent-seeking and on the difference between in-quota and non-in-quota imports, which generate rents (extra profits) because they enter at lower tariffs. These rents may benefit importers, exporters, or governments, depending on allocation rules. The TRQ may create price discrimination by establishing a two-tier pricing system, with cheaper imports within the quota and more expensive imports beyond it. Therefore, the quota calculation should be aligned with the economy's needs, based on the gap between domestic production and consumption, to provide protection. Additionally, it should ensure market access beyond the necessary or identified gap by imposing higher duties. (Skully, 2001)

Preferential Trade Rate Quotas (P-TRQs) are a type of TRQ in which preferential access, such as lower tariffs or duty-free quotas, is granted to certain trading partners, often through regional trade agreements or special arrangements. Applying the logic that the

origin of TRQs is from the identification of the gap between demand and supply, with the need to provide market access. Once that principle is established, the P-TRQs can be modified to reflect partner-specific commitments and strategic objectives.

Economic theory supports introducing discriminatory market access through P-TRQs, which allow for the application of bilateral preference margins, giving favoured partners a competitive advantage while protecting domestic industries. Key aspects to consider include trade diversion- where imports shift from efficient non-preferred suppliers to less efficient preferred ones due to quota benefits- and trade creation, where imports from preferred partners replace higher-cost domestic production. The P-TRQ strategy can also be used to strengthen geopolitical or regional ties by providing preferential market access, such as EU sugar quotas for ACP countries. Any modelling of P-TRQs should include partner-specific tariff schedules that account for both quota limits and preferential margins.

While the TRQs aim to balance domestic protection with multilateral commitments, the P-TRQs, by contrast, use trade policy to advance geopolitical, strategic, and other regional considerations, with integration at a preferential rate. Overall, the framework essentially ties policy instruments (TRQs) to market fundamentals (production, consumption, trade history). They become tools of diplomacy, used to deepen integration with specific partners, reward allies, or anchor regional trade agreements.

Table 11: Application Differences: Tariff Rate Quotas Vs Preferential Tariff Rate Quotas

S.N.	Feature	TRQ	P-TRQ
1	Partners / Scope	166 (WTO membership)	Single
		Applies to all exporters	Applies only to selected partners
2	Tariff Structure	In-quota vs. out-of-quota rates	In-quota vs. out-of-quota rates, but with preferential margins
3	Economic Effect	Balances protection & access	Creates discrimination in favour of partners
4	Welfare Impact	Depends on rent allocation (see Annex Figure 3)	Depends on trade creation vs. diversion
5	CGE Modelling	Non-linear tariff function	Partner-specific quota constraints

Source: Authors.

Preferential Tariff Rate Quotas (TRQs) under FTAs can be modelled based on domestic market conditions and historical trade patterns. Therefore, depending on data availability, the TRQ formula could be fixed according to the FTA limit, as shown below:

$$\text{Preferential Tariff Rate Quota}_{\text{FTA}} \approx f(\text{DP}, \text{DC-DP} [\text{Gap}], \text{HBI}, \text{HPI}, \text{HPE}, \text{MT}) + [\text{Specific-ROO}] \text{ (ET, 2026)}$$

Where:

DP = Domestic Production;

DC - DP = Domestic Consumption Gap (demand minus supply);

HBI = Historical Bilateral Imports (from FTA partner);

HPI = Historical Partners' Imports (partner's export capacity);

HRE = Historical Reporters' Exports (global supply potential);

MT = Major Traders in the product (dominant exporters shaping flows);

and

[Specific-ROO = Specific Rules of Origin] – needs to be extended to all PCGs.

The non-agricultural tariff lines that would have P-TRQs would need higher, more stringent Rules of Origin. Non-agricultural tariff lines are subject to preferential tariff-rate quotas (P TRQs); the risk of trade diversion and circumvention increases significantly. That is why WTO members and regional trade agreements often insist on stricter Rules of Origin (RoO) in such cases. There could be various changes in the ROO that can be introduced, and these could cover four broad aspects, such as changes in the value addition criteria from lower to higher requirements; mandated tariff line change requirements, for example, from a change in chapter to a change at subheading level or a change in split subheading level. In the context of the ROO's provisions on bilateral or regional cumulation for tariff lines with P-TRQs, this provision may be restricted to address the product's sensitive nature. Additionally, a technical barrier trade-related trade policy tool may need to be used for those products on which P-TRQs have been applied; it may involve mandatory certification by the government or a third party under the conformity assessment procedures (CAP), as shown in Table 11.

Table 12: Changed ROO Requirement under the Application of P-TRQs

Aspects –(P-TRQs)	Normal Preferential RoO	Stricter RoO under P-TRQs
Value Addition	30–40% regional value content	50–60% or more
Tariff Shift Requirement	Change at HS 4-digit level	Change at HS 6-digit or product-specific rules
Cumulation	Regional cumulation allowed	Restricted or excluded to prevent dilution
Not directly linked to the Rule of Origin (ROO)		
Certification	Self-certification possible	Mandatory government or third-party

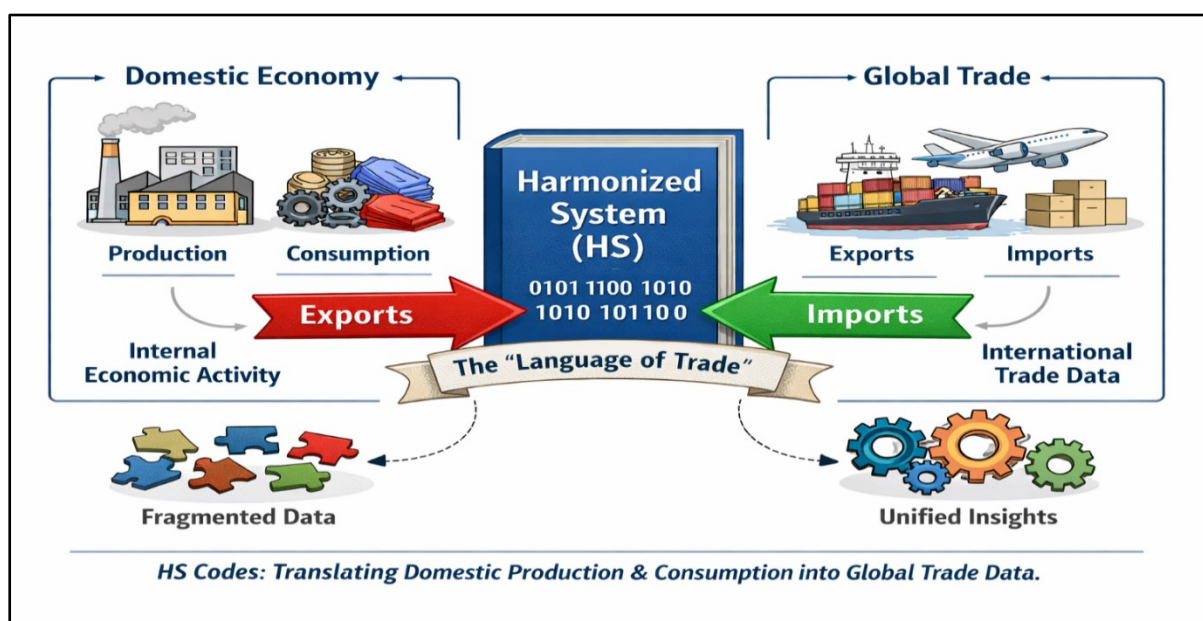
Source: Authors.

TRQs and Interaction with the Domestic Economy

Why HS Codes matter when dealing with trade interlinkages is that, increasingly, with goods and services tax, e-way bills, and the mandated use of trade classification, this leads to the standardisation of the “language”, ensuring that domestic production and consumption data can be translated into internationally comparable trade statistics. The linkage between production and consumption was enabled by the introduction of HS codes, which linked domestic supply-demand balances to external trade flows, ensuring consistency in reporting and policymaking.

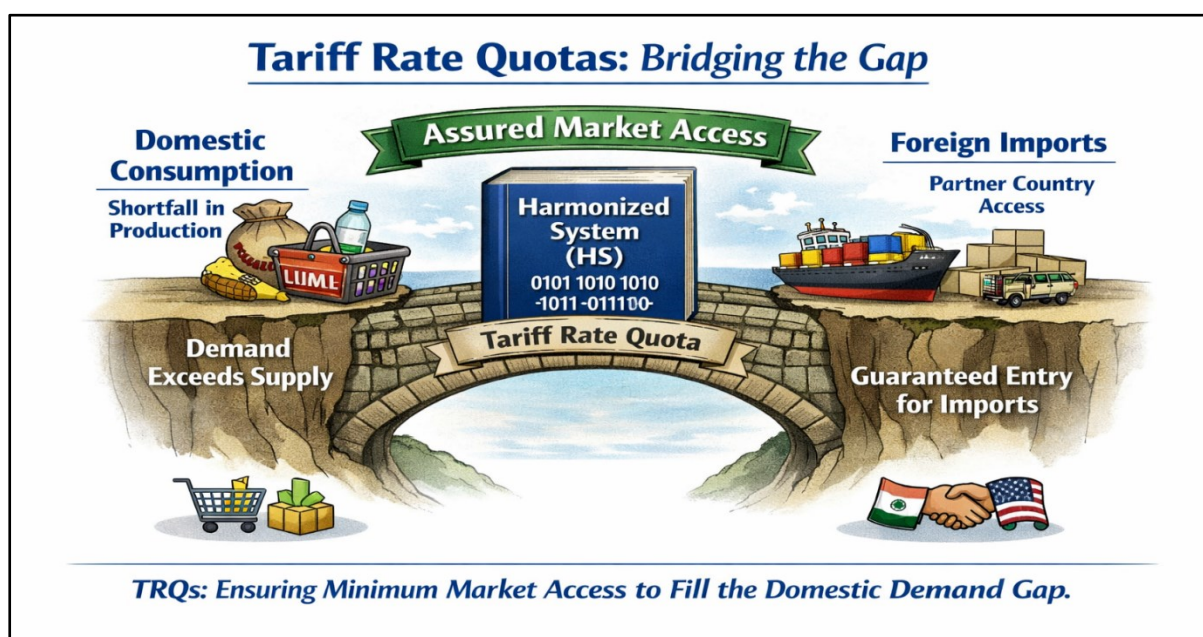
This would help address trade-related remedial challenges, enabling policy alignment that may facilitate governments in mapping internal economic activity (e.g., agricultural output, industrial production) to external commitments in trade agreements. All of these would also facilitate negotiations under the FTA, providing the leverage and granularity needed to argue for TRQs in sensitive sectors (like dairy, steel, or textiles), where balancing domestic protection with market access is politically delicate. Without HS codes, linking internal economic activity to external trade policy and negotiations would be fragmented and inconsistent see Figure 11.

Figure 15: Formalisation of Economic Activities Using the HS Nomenclature



Source: AI Generated by the Authors.

Figure 16: TRQ as Bridging Gaps (Domestic Consumption and Production)



Source: AI Generated by the Authors.

The TRQ, therefore, addresses the gap between domestic production and consumption by also providing the partner with assured minimum market access. Any shortfall in domestic production is mapped, and remedial action is taken through policies that favour TRQ-based imports from international partners or FTA partners. The only caution is that if the same product falls under more than one FTA and the strategic need is to provide minimum access to both markets, then the already suggested methodology should be followed. Hence, TRQ application and trade data can provide a balanced mechanism through data-driven calibration of HS codes, enabling precise measurement of consumption and production, so that TRQs can be set at levels that reflect domestic

realities. This ensures the domestic supply-demand balances are tied to external trade flows, ensuring consistency in reporting and policymaking. Important institutional coordination among governmental agencies, such as DOC (trade negotiations), DGFT, CBIC, and DPIIT, is needed to rely on HS-coded data to design TRQs that reflect both industrial policy and trade agreements under FTA and WTO commitments. In essence, HS codes are the grammar, TRQs are the sentences, and trade negotiations are the dialogue. Without HS codes, the dialogue would be incoherent; without TRQs, the sentences would fail to capture the nuance of balancing openness with protection. Fundamentally, the HS codes need to perform the function of grammar, TRQs as sentences, and negotiations as dialogue with partners; this captures the structural logic of trade policy design.

This trend is likely to continue, especially in MSMEs and sectors where governments are placing greater focus, such as PLIs (semiconductors, etc), and in others where domestic resistance to open markets remains strong, such as the agriculture and dairy sectors. India's recent FTAs have seen a marked increase in the use of Tariff Rate Quotas (TRQs), which balance liberalisation with protection, allowing controlled market access for sensitive sectors such as agriculture, dairy, and steel while still meeting partners' demands for concessions. (see Annex Table 4 and Figure 1)

The significance of domestic production and consumption in setting TRQ quota limits is that they provide the economic baseline for determining how much foreign supply can be allowed without destabilising the local market. Trade negotiators use these indicators to calibrate quotas so that trade liberalisation is meaningful but not disruptive. The two variables are: production is measured as a **protection benchmarking quota**, often set as a percentage of domestic production, to ensure that imports supplement rather than replace local output. For example, a country produces 100 million tons of sugar; a TRQ on sugar might allow 2–3% of that volume at lower tariffs, thereby minimising the impact of imports and keeping them under control, unlike under total liberalisation, immediate or phased. While the second variable is the **consumption-based quota benchmarks provided specifically for market access**, here the quotas can be pegged to domestic consumption levels, ensuring that imports meet demand gaps without oversupplying. For example, if country X consumes 20 million tons of dairy annually, TRQs may allow 1–2% of that demand to be met by imports. Both examples are rather simple and easy to implement, as they apply to multilateral commitments; however, under the FTA, the situation would change completely.

The above examples would need to be adopted in accordance with two separate theoretical approaches: using separate TRQs for each FTA, each with its own 50-tonne quota. This would mean that all five FTA partners have the same quantity: Japan gets 50, Korea gets 50, the EU gets 50, the UK gets 50, and EFTA gets 50. Therefore, the total quota allowed by India would be 250 tonnes of milk imports at concessional tariffs.

Alternatively, the second approach suggests a **shared TRQ, in which India could, in theory, set a single 50-tonne quota** shared among all five partners. This is rare because

it complicates administration and reduces clarity for exporters. The former approach would need a highly conservative approach, while product-level quotas are fixed.

A country could use TRQs if adopting the first approach (50 tonnes each of FTA) could be effectively achieved through four strategies: the first, a symbolic one, in which the partner has limited supply capacity, ensuring the effective application of the agreed Rules of Origin under the FTA. A second approach is to address the actual threat posed by import surges and the need for effective regulated trade, where the partner wants more but is offered only a capped Quota. The third approach is similar to the second and provides limited access. The last approach ties it to investment, as seen under the EFTA.

This can be used to arrive at a single quota limit and would best fit a multilateral trade deal; however, in the case of FTAs, the story is radically different, and the same cannot or should not be applied, as it may lead to higher import levels and unintended results.

Across past FTAs like APTA, Sri Lanka, Singapore, ASEAN, Japan, Korea, and Malaysia, there was little usage of TRQs- mostly the sensitive sectors have been protected by not providing the benefits of preferential trade, which were part of the negative list and remained outside the coverage under the MFN trade. Post-2020, when there was a resurgence of FTAs, most of them, such as the Maldives, the UAE, and Australia, have seen marginal use of TRQs – it could be said that India was exploring this new trade policy tool.

In the case of the EU-India (under negotiation), these may be applied across dairy, poultry, wines, spirits, more than 2000 CC and EV automobiles, etc. The core objectives are to protect Indian farmers, provide the EU with reasonable market access, and safeguard domestic production capacity.

Table 13: Data Sources for Assessment of TRQs of Deeper Trade Agreements

S.N.	Dimension	Data Source	Policy Use
1	Import volumes by HS code	DGFT/CBIC	Benchmark TRQ fill rates
2	Domestic production estimates	DPIIT/industry surveys	Calibrate TRQ ceilings
3	Consumption trends	NSSO/market surveys	Align TRQs with demand realities
4	FTA commitments	DOC treaty texts	Ensure WTO/FTA compliance
5	Sensitive sector flags	DPIIT policy notes	Protect vulnerable industries

Source: Authors.

Tariff Scheduling/Modalities Variabilities under the FTAs

Another dimension of the design of variability under the FTAs is not just sectoral coverage (e.g., agriculture vs. industrial goods) but also the modalities by which variability is structured and administered. This goes beyond TRQs and touches the mechanics of flexibility embedded in the agreement. Table 12 clearly provided and traced the variability in trade modalities, which directly shaped how India balanced granting minimum market access to partners while shielding sensitive domestic sectors. The increasing number is clear evidence of the flexible modalities that enabled the trade

negotiators to calibrate commitments, offer concessions in less-sensitive areas, and retain protective instruments for vulnerable industries.

Table 14: Comparative Assessment for the ease of Notification to the Unified Tariff Portal

S.N.	Agreement / Partner	Tariff Modalities	Sectoral Carve-outs	Reciprocity Balance
1	APTA	5 - MOP	Limited carve-outs (basic agriculture, sensitive industrial goods)	India gained in chemicals & pharma; partners gained in textiles & electronics
2	Australia)	12	Moderate carve-outs (dairy, agriculture)	India gained in textiles and pharma; Australia gained in wine & minerals
3	Bhutan	4	Minimal carve-outs	India gained in industrial exports; Bhutan gained in hydropower and niche goods.
4	EFTA	12	Carve-outs under negotiation (agriculture, dairy)	Expected balance: India gains in pharma & IT; EFTA gains in machinery & services
5	Japan CEPA	7	Limited carve-outs (a few sensitive industrial goods)	India gained in textiles & IT services; Japan gained in auto & machinery
6	Korea CEPA	6	Limited carve-outs (steel, chemicals)	India gained in textiles & gems; Korea gained in electronics & auto
7	Malaysia CECA	7	Moderate carve-outs (plantation crops, sensitive industrial goods)	India gained in pharma & IT; Malaysia gained in palm oil & electronics
8	Mauritius CECPA	22 - MOP	Limited carve-outs (a few sensitive goods)	India gained in pharma & textiles; Mauritius gained in niche services
9	Mercosur PTA	5	Moderate carve-outs (agriculture, dairy)	India gained in pharma & chemicals; Mercosur gained in agriculture & meat
10	Nepal FTA	5	Moderate carve-outs (agriculture, dairy)	India gained in industrial goods; Nepal gained in niche agriculture
11	Oman FTA	29	Limited carve-outs (a few industrial goods)	India gained in textiles & pharma; Oman gained in petrochemicals
12	SAFTA	6	Extensive carve-outs (negative lists in agriculture, textiles)	India gained in industrial goods; smaller SAARC partners gained in niche exports
13	Singapore CECA	6	Limited carve-outs (financial services, select agriculture)	India gained in IT & services; Singapore gained in electronics & chemicals
14	Sri Lanka	4 - MOP	Extensive carve-outs (tea, garments, agriculture)	India gained in industrial goods; Sri Lanka gained in textiles and spices
15	UAE CEPA	12	Extensive carve-outs (dairy, agriculture, sensitive industrial goods)	India gained in gems, jewellery, textiles, pharma; UAE gained in petrochemicals & energy
16	UK FTA	23	Carve-outs in agriculture & dairy	India expected gains in textiles, pharma; UK gains in services & machinery.
17	WTO Commitments (Uruguay Round, Doha unfinished)	Bound vs. MFN rates	Policy space retained (bound rates higher than applied MFN)	Reciprocity multilateral, not bilateral; India retains flexibility

Note: This table is an approximation, and the task is to highlight the importance of maintaining a balanced number of modalities.

Source: Authors.

Calibrated Five Steps: Based on Data Availability

The stepwise calibration of P-TRQ comprises five steps. To evaluate the domestic market balance, start by identifying the consumption gap, which is demand minus supply, to justify the quota and address the shortfall. Protect sensitive sectors by limiting the TRQ

to a part of this gap. The second step involves assessing historical import flows from partners, using bilateral imports over the past 3–5 years as a baseline for quota allocation, and smoothing out volatility by averaging over this period. Next, evaluate the partner's capacity and reliability by adjusting TRQ shares based on their historical export performance, and avoid overallocation to partners with limited supply. Finally, assess the global supply in the context of benchmarking against exporters' trade data to ensure TRQ consistency with global trade flows and to prevent market distortion by aligning with the market shares of major traders.

An important aspect is the strategic allocation, which distributes the TRQ shares among FTA partners proportionally to historical flows; it serves as a factor in geopolitical or developmental objectives (e.g., special treatment for least-developed partners). Further, the most important need is to address all the P-TRQ lines in a coordinated manner.

Recommendation

Preferential Tariff Rate Quotas (P-TRQs) in India are increasingly designed around principal commodity groups to protect domestic sensitivities and strengthen the core industrial base, particularly under recent Comprehensive Economic Partnership Agreements (CEPAs). By tailoring quotas to these groups, India aims to diversify trade while supporting sectors that define the country's industrial diversity.

1. P-TRQs need to be created based on the principal commodity group/major commodity groups, which reflect the possible diversity and core industrial base of India, tracking the imports under them and exports becoming important for effective FTAs;
2. India's FTA tariff schedules are published in annexes of each agreement, but they are scattered across multiple government and partner websites, making them hard for small exporters/importers to access. A consolidated, line-by-line tariff database is not yet publicly available in a transparent, user-friendly format. Trade opacity undermines India's competitiveness.
 - a. Government to create and maintain a unified tariff portal (UTP) wherein the exporters/importers can input HS codes and instantly see applicable FTA tariffs.
 - b. The PDF schedules into searchable datasets with filters by HS code, partner country, and year.
 - c. Visual overlays showing tariff reduction timelines and TRQ (tariff-rate quota) risks; and
 - d. Offer training modules for MSMEs on how to interpret tariff schedules without consultants.

Under different FTAs like Australia, Mauritius, UAE, EFTA, UK, Oman and the EU, the national tariff lines of India (eight-digit level) varied, and therefore it does not support the argument of consistency - India's tariff-line commitments under its FTAs since 2022 have not followed a uniform template. Post-2022 FTAs showed India tailoring tariff-line

commitments at the 8-digit level to each partner's profile; these need to be assessed for domestic consistency. The variation demonstrates *strategic pragmatism* rather than consistency.

1. Each negotiation reflects the partner's export profile, India's sensitivities, and the balance of concessions.
2. This variation allows India to protect sensitive sectors (like dairy, textiles, and automobiles) while offering deeper liberalisation in areas where it seeks reciprocal benefits (like IT services, pharmaceuticals, and gems & jewellery).
3. The policy argument for the negotiators could be that because tariff-line coverage differs across agreements, it weakens any claim that India follows a "consistent" approach. Instead,
4. Therefore, India's FTA practice is context-specific and partner-driven. It may need to be rectified and made consistent across the FTAs in order to address Annex Text 1: Recommendation to Improve Transparency.

Conclusion

This paper set out to trace how India has liberalised through its FTAs while retaining the room to protect, and the central research question was never whether liberalisation occurred, but through what instrument, and at what cost to consistency. The tariff schedules, read line by line, show a clear movement away from the negative list toward the Tariff Rate Quota as the preferred device of controlled liberalisation. The negative list is excluded outright; the TRQ admits, but only up to a point, and that point is itself the policy.

This duality shows how trade policy can operate at two levels: the TRQ, which is technocratic and rules-based, and the P-TRQ, which combines technocratic, strategic, and relational elements. The application of this trade policy tool and its economic instruments can be repurposed to serve broader institutional (see Annex Table 3) and geopolitical goals. The TRQ balances protection against multilateral commitments and applies, in principle, across the WTO membership; the P-TRQ discriminates by design, and it is this design feature, not an accident of implementation, that converts market access into an instrument of strategic and geopolitical positioning. The same underlying tool, repurposed, ceases to be a trade instrument alone and becomes an instrument of diplomacy.

The proliferation of tariff modalities across recent agreements from four categories in the older FTAs to twenty-two in Mauritius, twenty-three in the UK, and twenty-nine in Oman is not administrative drift. Variability is itself the protective device. It follows no uniform template, and post-2022 commitments confirm this: the variation is partner-driven pragmatism, which weakens any claim to a consistent Indian approach. It could be said that India is not following a doctrine so much as negotiating one agreement at a time.

Extending TRQs and P-TRQs from agriculture into industrial lines is where this paper's caution is sharpest. India's industrial base is structurally dualistic: large, compliant corporates on one side, a vast informal and MSME sector on the other, and this structure does not map cleanly onto the FTA partners' own, where even their MSMEs are formalised and considerably larger than India's. Applying P-TRQs to non-agricultural lines without adjusting for this asymmetry, and without the stricter Rules of Origin, higher value addition, and mandatory third-party certification the paper sets out, risks precisely the trade diversion the instrument was meant to contain.

The five-step calibration proposed here, anchored in domestic production and consumption gaps, historical bilateral imports, and partner export capacity, is now approximated through GST and E-Way Bill data mapped to HS codes and is offered as a design for how P-TRQ ceilings could be set defensibly. It is not evident that negotiators are currently setting them this way. That gap, between what the data now permits and what negotiating practice has delivered, remains open.

A limitation should be stated plainly rather than absorbed into the argument: this is an assessment of India's side of the schedule, only what India has conceded and what it has retained. A complete assessment would require the same reading of the partner's tariff modalities, and without it, any verdict on net gain stays partial. What this paper offers instead is a documented account of the instruments TRQs, P-TRQs, and the modalities layered around them through which India is attempting to keep liberalisation and protection in the same agreement. The recommendation for a unified, HS-code-searchable tariff portal follows from this directly: transparency is not proposed here as a general good, but as the specific corrective this paper's findings show is missing, and without which the duality described above remains legible to negotiators and opaque to everyone else.

Annexures

Annex Table 1: Multilateral Engagement of India in Trade Policy Setting

S.N.	Period	Format of Engagement	Key Focus	Coalition Role
1	1986–1994 (Uruguay)	Defensive, sovereignty-conscious	Agriculture, IP, services	G-77
2	1995–2000 (Early WTO)	Cautious, implementation-focused	S&DT, asymmetries in the WTO legal agreement	South-South Alliances
3	2001–2008 (Doha)	Assertive, coalition-builder	Agriculture, NAMA, development	G-20, G-33
4	2009–2015 (Bali/Nairobi)	Defensive, issue-specific	Food security, subsidies	G-33, LDC alliances
5	2016 onwards	Reactionary and transactional	WTO reforms, S&DT, address digital trade	Addressing newer agreements; withdrawal

Note: based on subjective in

Source: Authors based on various reports by the WTO and UNCTAD.

Annex Table 2: India's Foundational Elements Across Five Decades of Trade Engagements

Foundational Elements	WTO Commitments (Multilateral)	Focus	Bilateral/Regional FTAs/CEPAs
Friendship (Social Cooperation)	WTO is rules-based, universal, and impersonal. India's participation signals a commitment to global trade norms, but it does not build direct bilateral goodwill.	South solidarity and developmental Partnerships and cultural and diaspora linkages	FTAs/CEPAs often cement diplomatic ties (e.g., the India–Bhutan trade pact and the India–UAE CEPA), reinforcing cultural, diaspora, and neighbourly bonds.
Strategic (Geopolitical)	WTO disciplines are neutral; India uses them defensively (e.g., in disputes over steel and solar panels) but cannot leverage them for geopolitical positioning.	Trade is used sparingly as a foreign-policy tool; the focus is on non-alignment and South-South solidarity.	Bilateral deals are explicitly strategic: the India–Japan CEPA aligns with Indo-Pacific security, the India–Australia ECTA strengthens Quad cooperation, and the India–UAE CEPA secures energy and logistics corridors.
Domestic-Centric (Developmental)	WTO allows “special and differential treatment” for developing countries, but disciplines (AoA, TRIPS, SCM) constrain India's policy space. India negotiates carve-outs to protect MSP, food security, and generics.	Deals framed around protecting domestic industry, food security, and import substitution; commercial liberalisation avoided.	Bilateral deals are tailored to India's developmental priorities, sectoral safeguards, phased tariff reductions, and carve-outs for sensitive industries (e.g., dairy, excluded from RCEP negotiations; MSME protections in the India–ASEAN FTA).
Commercial (Trade & Market Access)	WTO provides a global framework for tariff bindings, MFN treatment, and dispute settlement. India gains predictable access but faces reciprocity obligations.	The major focus on the role of the formal and Informal sectors, the exchange of information, and the excessive focus on economic needs were ignored.	FTAs/CEPAs deliver deeper, preferential market access, lower tariffs, services liberalisation, and investment flows. They are commercially driven, targeting sectors like textiles, IT, pharma, and energy.

Source: Authors.

Annex Table 3: Trade Policy Related Institutions and their Roles

Institution	Friendship	Strategy	Development	Commerce	Phase-Specific Role
DOC	High ; leads FTA negotiations, WTO digital trade agenda	Moderate ; manages trade diplomacy with MEA	High ; ensures sectoral development clauses in FTAs	Very High ; anchors market access, tariff schedules, and digital services trade	Post-2016 : Core negotiator of FTAs with digital economy chapters
MEA	High ; builds trust, diaspora, South-South solidarity	Very High ; negotiates clauses on data flows, cybersecurity, maintaining sovereignty	Moderate ; ensures capacity building, tech transfers	Moderate ; facilitates reciprocity	Post-2016 : digital diplomacy, embedding DPI (UPI, Aadhaar) in FTAs
RBI	Limited ; remittance facilitation	High oversight of cross-border fintech flows, INR internationalisation	Moderate ; supports MSME access via digital finance	Very High ; governs forex, digital payments, blockchain trade finance	Post-2016 : Central to INR settlement clauses, fintech regulation
DGFT	Moderate ; manages bilateral facilitation	High ; negotiates trade remedies, digital service access	High export promotion via e-commerce platforms	High ; monitors import surges, digital compliance	1990s–Present ; FTA execution, digital export diagnostics
DPIIT	Low ; limited diplomatic role	Moderate ; aligns industrial strategy with digital trade	High ; MSME support, PLI schemes, start-up ecosystem	High industrial competitiveness, tariff calibration	Post-2016 : Make in India + digital innovation integration
CBIC	Low ; operational, not diplomatic	Moderate ; customs intelligence for strategic goods	Moderate ; supports ease of doing business	Very High ; GST, E-Way bills, tariff enforcement, anti-dumping	Post-2016 : Formalization & real-time trade monitoring
NITI Aayog	High ; fosters partnerships, policy dialogues	High ; strategic visioning (Quad, IPEF digital economy)	High policy modelling for inclusive digital growth	Moderate ; advises on trade-offs in FTAs	2016–Present : Think tank role in balancing digital trade & development

Note: DGFT = Directorate General of Foreign Trade; DPIIT = Department for Promotion of Industry and Internal Trade; CBIC = Central Board of Indirect Taxes and Customs; RBI = Reserve Bank of India; and MEA = Ministry of External Affairs.

Source: Authors' assessment based on literature and working experience of trade matters.

Annex Table 4: Old and New FTA and usage of Trade Policy Tools (NL and TRQs)

S.N.	India's Trade Agreement	No. Countries	Year	Type	Tariff Modalities	Sectors	Key Focus	Usage of NL/TRQs
1	APTA	7	1975/2005	PTA	MOP*	G	Multilateral tariff cuts	NL
2	Sri Lanka	2	1998	FTA	Negative list + phased tariff elimination	G	Sensitive items excluded; gradual liberalisation of others.	NL+TRQs [#]
3	SAFTA (South Asia)	8	2006	SAFTA	Tariff reduction schedules	G	India offered deeper cuts to LDCs; the sensitive list was maintained.	NL [#]
4	Singapore (2018 Revised)	2	2005	CECA	Limited tariff elimination	G+MRA	Services and investment prioritised; broad goods liberalisation.	Limited trade deal (Approximately 6000 NTLs)
5	ASEAN	11	2010	IAFTA	Phased tariff elimination (80% coverage); 70% per country.	G	pharmaceuticals, textiles, engineering goods, and auto components.	NL
6	Japan	2	2011	CEPA	Phased tariff elimination (90% coverage)	G	Industrial goods liberalised; Pharma, agriculture largely excluded.	NL
7	South Korea	2	2010	CEPA	Phased tariff elimination	G	Electronics, auto parts liberalised; agriculture sensitive.	NL
8	Malaysia	2	2011	CECA	Tariff elimination + exclusions	G	Palm oil concessions with safeguards.	Quotas + NL
9	Mauritius	2	2021	CECPA	TRQs + Tariff elimination	G	TRQs for sensitive goods; services liberalisation.	NL + TRQ
10	UAE	2	2022	CEPA	TRQs + Tariff elimination (90% goods)	G	Gems, jewellery, textiles liberalised; dairy excluded.	NL + TRQ
11	Australia	2	2022	ECTA	TRQs + Tariff elimination	G&S	Wine, dairy under TRQs; mining/education liberalised.	NL + TRQ
12	EFTA	5	2024	TEPA	TRQs + phased elimination	G&S	Dairy, processed foods under TRQs; investment commitments.	NL + TRQs
13	Oman	2	2025	CEPA	TRQ + Tariff elimination + exclusions + reduction	G&S	Ratification pending@; sensitive goods protected.	NL + TRQ
14	UK	2	2025	CETA	TRQs + phased elimination	G&S	Dairy, steel under TRQs; services liberalisation.	NL + TRQ
15	EU@	27	2026	Regional FTA	Most of the EU have TRQs usage hence it is assumed (TRQs ++) [@]	G&S	Expected to cover: Dairy, poultry, wines and TRQs may be used in Auto, industrial goods liberalised. [@]	XXX [@]

Note: @ = making tariff concessions, TRQs, and investment guarantees legally binding; @ = based on newspaper reports; * = Margin of Preference; # = does mention the presence of preferential TRQs in products like Chapters 61 and 62 and Tea in Sri Lanka and similarly Chapters 61 and 62 and desiccated coconut in the case of Bangladesh (SAFTA), see Table 3.6, https://www.wto.org/english/tratop_e/tpr_e/s313_e.pdf.

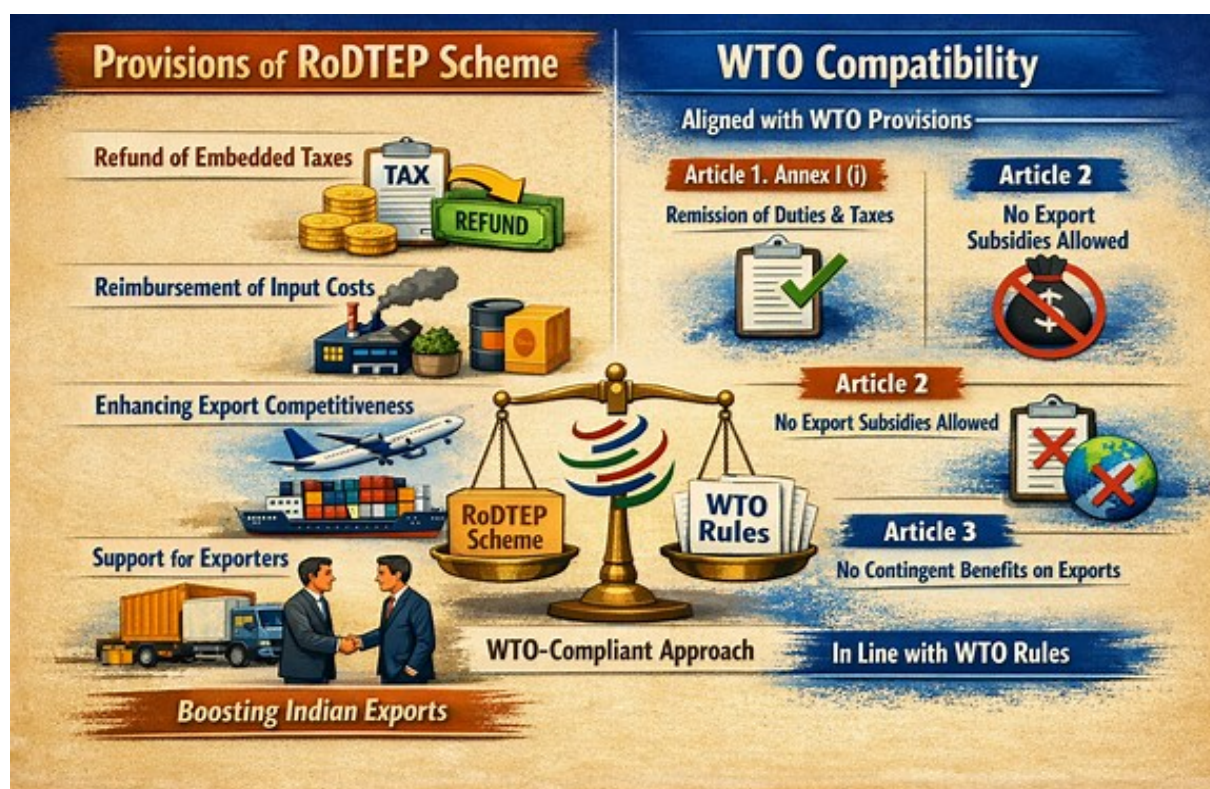
Source: Compiled by the authors based on the Department of Commerce website <https://www.commerce.gov.in/international-trade/trade-agreements/>.

Annex Figure 1: TRQs Usage as Trade Policy Tool: Protection of Domestic Production Base



Source: AI generated by the Authors.

Annex Figure 2: RODTEP Scheme of India and WTO Compatibility.



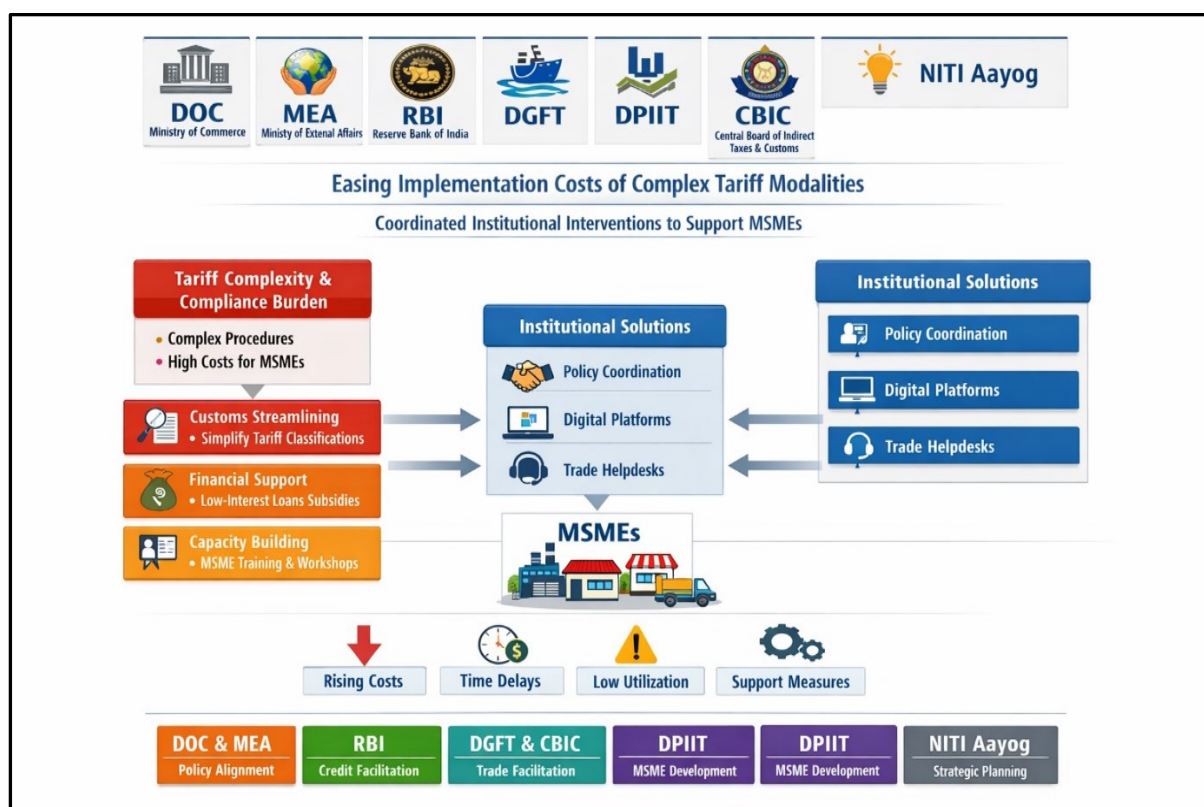
Source: AI generated by the Authors.

Annex Figure 3: Welfare impact of TRQs, Dependence and Rent Allocation



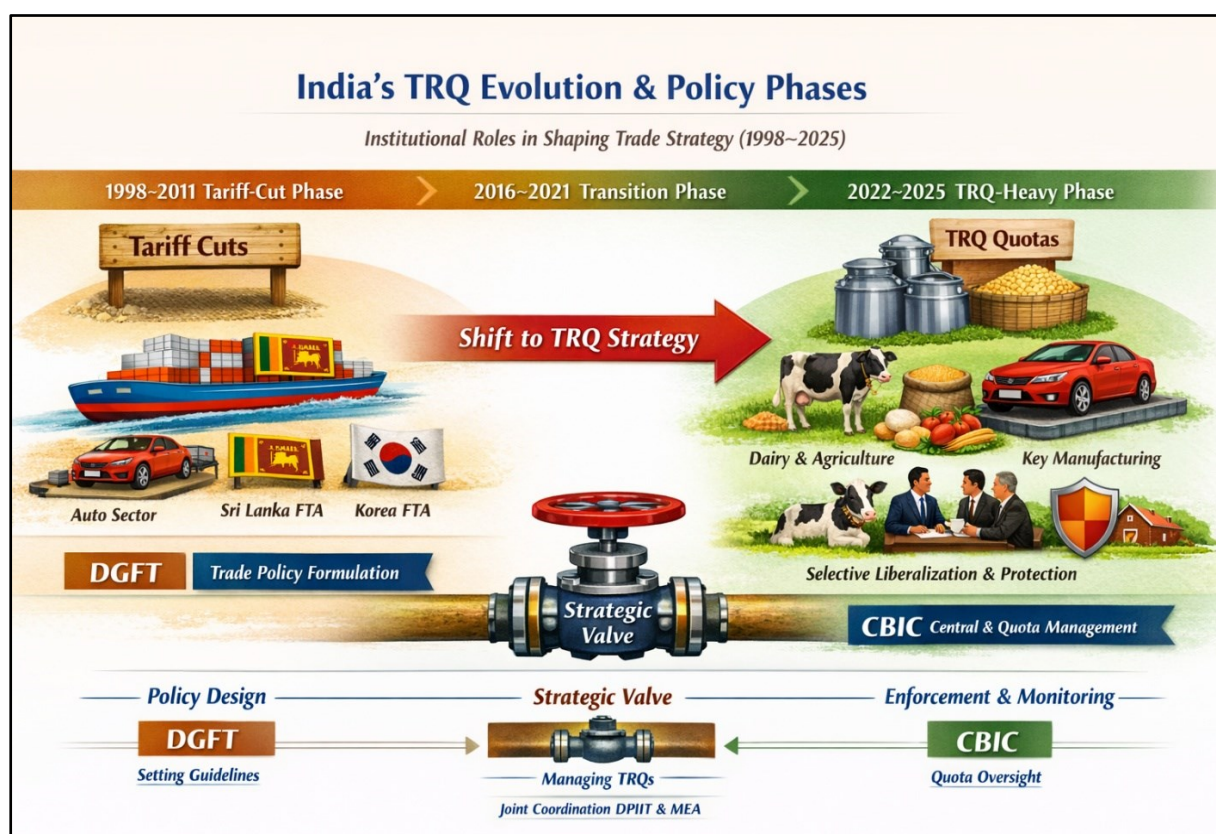
Source: AI generated by the Authors.

Annex Figure 4: Domestic Institutions and their Role in Trade Policy Making



Source: AI generated by the Authors.

Annex Figure 5: India's FTA and the Roles of National Agencies in the Application of TRQs



Source: AI generated by the Authors.

Annex Note 1: Recommendation to Improve Transparency¹¹

Following the six steps in the case of FTAs would reduce the cost burden and be a facilitator in expanding the export potential of MSMEs and other economic agents. The policy impact would be that increased transparency at the source would reduce reliance on external consultants. Inclusivity empowers MSMEs to leverage FTAs; for the trade negotiators, it would provide the much-needed negotiation leverage by identifying asymmetries for future talks. (Dhar, Biswajit; Kallummal, Murali; 2007) This would enhance the government's institutional credibility by aligning with India's push for trade facilitation.

1. HS Code Overlay (Template)

HS Code (example)	Base MFN Tariff		Preferential tariffs		(tariff-rate quota) conditions		Notes on Partners reciprocity*
	India	Partner	India	Partner	India	Partner	
10061010							
10061021							
10061030							

Note: * = E.g., if India grants 0% but the partner retains phased reduction or any other details.

Source: Authors

2. Concession Timeline

- Visualise **phased tariff cuts** (Year 1 → Year 10/15).
- Colour coding:
 - Green = Immediate elimination
 - Yellow = Phased reduction
 - Orange = TRQ tariff lines
 - Red = excluded/sensitive list.

3. TRQ Risk Layer

- Overlay TRQ volumes and fill rates.
- Flag sectors where quota exhaustion is frequent (e.g., processed food, textiles).
- Provide alerts for Indian exporters when the quota is near exhaustion.
- Provide alerts for importers (partner)

4. Partner Reciprocity Dashboard

- Compare India's concessions **VS** the partner's concessions line-by-line.
- Highlight **asymmetries** (e.g., India liberalises faster in chemicals, partner delays in textiles).
- Useful for negotiators and MSMEs alike.

5. MSME-Friendly Interface

- Search by HS code or product name.
- Exportable CSV/Excel for Small firms.
- Plain-language notes explaining rules of origin and tariff phase-outs.

6. Implementation Steps

1. **Data Extraction:** Digitise FTA annexes (PDF to structured dataset).
2. **HS Code Mapping:** Standardise across agreements (India's HS vs Partner's HS).
3. **Dashboard design:** Use reproducible templates (your forte).
4. **Validation:** Cross-check with the WTO Tariff Database and partner customs portals.
5. **Public Portal:** Host on the DGFT or Invest India website for MSMEs

¹¹ Full access to the concerned Ministries over intranet, in order to be provided to address the concerns of privacy and data protection concerns. While that information which are not sensitives need to be made available to general public and corporates with controls on the users.

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