

Dynamics of Toys QCO Order (CAP) on Trade Flows: A Macro & Firm Level Analysis

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In this working paper, we evaluate the impact of the Toys Quality Control Order, 2020, on India's trade performance using both macro and firm-level analyses. The order implemented by BIS to ensure safety and compliance has restructured India's toy trade by curbing low-quality imports and fostering export growth. Between 2019 and 2024, India's toy exports increased from USD 131.5 million to USD 166.8 million, while imports declined from USD 318.9 million in 2018 to USD 40 million in 2021, resulting in a shift from a deficit to a surplus in the trade balance. The study utilises WITS and DGCI&S trade data, alongside Panjiva firm-level data, to reveal that exports to the United States surged following the QCO, while imports from China contracted sharply. The findings demonstrate that the QCO has enhanced product quality and strengthened India's domestic manufacturing base, though compliance costs remain a challenge for SMEs navigating certification and testing requirements.

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Study on the Impact of Toys QCO Order on India's Trade Flows: A Macro & Firm Level Analysis

Abstract

In this working paper, we evaluate the impact of the Toys Quality Control Order, 2020, on India's trade performance using both macro and firm-level analyses. We also discuss why the QCOs may be WTO-compatible under changed circumstances, driven by the demands of large markets with extensive manufacturing and consumer bases.

The order implemented by BIS to ensure safety and compliance has restructured India's toy trade by reducing low-quality imports and encouraging export growth. Between 2019 and 2024, India's toy exports increased from USD 131.5 million to USD 166.8 million, while imports decreased from USD 318.9 million in 2018 to USD 40 million in 2021, resulting in a shift from a deficit to a trade surplus.

The study utilises WITS and DGCI&S trade data, alongside Panjiva firm-level data, to demonstrate that exports to the United States increased significantly after the QCO, while imports declined sharply. The findings demonstrate that the QCO has enhanced product quality and strengthened India's domestic manufacturing base, though compliance costs remain a challenge for SMEs navigating certification and testing requirements.

Keywords: Technical Barriers to Trade, Quality Control Orders, Toys, China, United States

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Introduction

The Quality Control Order (QCO) on Toys in India was introduced as a regulatory measure to address a combination of safety, trade, and industrial policy concerns. At the same time, the order became a lever to discipline inferior-quality imports and to upgrade the domestic industry, aligning India with global regulatory practices.

Functionally, India's QCOs operate similarly to Conformity Assessment Procedures (CAPs) under the WTO's Technical Barriers to Trade (TBT) Agreement. To align with the WTO provision under Article 5, it must ensure that CAPs are non-discriminatory, not more trade-restrictive than necessary, and transparent, while encouraging reliance on international standards and recognising foreign conformity assessment results. At the same time, the *BIS Quality Control Orders* (QCOs) do not directly recognise international accreditation or foreign certification marks. They legally mandate that products covered under a QCO must carry the BIS Standard Mark and be certified by BIS itself. However, India's accreditation system (through NABCB under QCI) is internationally recognised through IAF, ILAC, and APAC multilateral arrangements, meaning Indian accreditation is accepted abroad. However, foreign accreditations are not automatically accepted under BIS QCOs. While this is legally accepted, Indian exports often face hurdles beyond this and also encounter challenges related to the recognition of the accreditation system (through NABCB under QCI). (Jeyakumar & Senthilkumar, 2025)

Table 1: Accreditation Bodies and Commercial Controls

Country Group	Control / Influence	Notes
Developed Countries	High control	- Most major certification firms and accreditation bodies are headquartered in this region – OEM/MNCs driven value chains and supply chains. - They set global norms and dominate IAF/ILAC structures.
Developing Countries	Moderate, growing role	- Increasing participation through regional accreditation cooperations (APAC, AFRAC, IAAC, SADCA). - India, Brazil, South Africa, and China have strong national accreditation bodies.
LDCs	Low control	- Limited infrastructure; relies on recognition of foreign certification results. - Capacity-building provided by UN, WTO, ISO, and donor agencies.

Note: OEM = Original Equipment Manufacturers; MNCs = Multinational Corporations; IAF = International Accreditation Forum; ILAC = International Laboratory Accreditation Cooperation; APEC = *Asia Pacific Accreditation Cooperation Incorporated* (APAC); AFRAC = African Accreditation Cooperation; IAAC = International American Accreditation Cooperation; SADCA = Southern African Development Community Accreditation; WTO = World Trade Organisation; UN = United Nations; ISO = International Standards Organisation; and WB = World Bank.

Source: Authors based on ILAC, IAF and other Sources.

Globally, third-party certification agencies comprise a combination of private certification bodies (such as commercial firms, OEM/multinational auditors, and industry-specific certifiers) and public accreditation authorities (governmental or quasi-governmental agencies) (ISO, N.D.). Developed countries dominate the system, as most of the largest and most influential certification and accreditation bodies are headquartered in Europe, North America, and parts

of East Asia. Developing countries participate increasingly through regional accreditation collaborations, while LDCs (Least Developed Countries) generally depend on external recognition and capacity-building support rather than controlling certification networks. (UNIDO, 2017) Which means they are more rule-takers than rule-shapers in global conformity assessment. Further, in the case of developing countries, Article 9 of the TBT Agreement would become more relevant, as it supports participation in and benefits from international and regional systems for conformity assessment, so that their products can be recognised abroad without duplicative testing. It provides a legal basis for mutual recognition agreements (MRAs) and helps developing countries integrate into the global accreditation network. India is a large market and a lucrative destination for many exporters. Hence, there is growing pressure on the method and manner of applying the Toys QCOs; exporters argue that requiring domestic certification only creates delays and costs.

To meet some of the TBT Agreement's requirements, India must conduct a risk assessment of the QCOs and ensure that the regulation is based on that assessment and is proportionate to the risks involved. A secondary evaluation involves referencing International Standards; whenever possible, QCOs should align with relevant international standards to facilitate trade and avoid unnecessary duplication. Lastly, the QCOs should be designed to be flexible and adaptable to accommodate changing circumstances and technological advancements. The WTO's Agreement on Technical Barriers to Trade (TBT) outlines processes and procedures to ensure that Conformity Assessment Procedures (CAPs) do not create unnecessary barriers to international trade.

Although the majority of discourse surrounding Quarantine and Certification Organisations (QCOs) emphasises facilitating trade and adherence to World Trade Organisation (WTO) standards, the fundamental policy objective remains safeguarding consumer safety, particularly for products such as toys that directly affect children. Toy safety is a significant concern for parents of young children, as unsafe toys may pose various hazards, including choking risks from small parts, injuries from sharp edges or points, and potential long-term health issues from toxic materials such as plastics, lead-based paints, and certain fabrics. Compliance with safety standards and the procurement of appropriate certifications are essential to ensure that toys are safe for children to use.

Furthermore, it is important to acknowledge that the WTO's Technical Barriers to Trade (TBT) Agreement does not explicitly mandate the use of internationally accredited laboratories for conformity assessment. As a result, the BIS Quality Certification Organisations (QCOs) function as legitimate mechanisms within the framework of the TBT Agreement. This agreement delineates a structure founded upon four core principles, including non-discrimination, to prevent discrimination against foreign conformity assessment bodies in relation to domestic entities. The second principle advocates eliminating unnecessary barriers through processes and procedures that are no more restrictive or costly than necessary to achieve legitimate objectives, such as safety and quality. The third principle encourages the recognition of international and regional conformity assessment systems, although such recognition remains

optional. Lastly, transparency is emphasised through the requirement for WTO notifications and explanations regarding conformity assessment requirements.

Hence, to ensure toy quality, the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India, issued the Toys (Quality Control Order), 2020, under Section 16 of the BIS Act, 2016. This QCO requires that toys for children aged 14 or younger meet seven Indian Standards for toy safety, which specify requirements for physical, chemical, and electrical safety. These toys must bear the ISI Mark, issued under a license from the Bureau of Indian Standards (BIS). The QCO took effect on January 1, 2021.

This paper analyses the trade impacts of the Toys QCO implementation in India. India claims this is crucial for consumer safety and the development of domestic quality infrastructure, highlighting the conflict between sovereignty and trade facilitation. Further, the TBT Agreement does not require countries to use or accept internationally accredited laboratories.

Legal and Institutional Framework

The foundation of QCO enforcement in India is the Bureau of Indian Standards (BIS) Act, 2016, which authorizes the Central Government to require specific products or processes to meet Indian Standards and to carry the BIS Standard Mark (Bureau of Indian Standards, n.d.). This provides the legal basis to turn voluntary quality standards into enforceable compliance requirements in the public interest. The BIS plays a dual role in this framework, serving as both the Certification Authority and the Enforcement Authority for QCOs. It is responsible for providing technical inputs, managing conformity assessment schemes and licensing procedures, and enforcing compliance among stakeholders (Bureau of Indian Standards, n.d.). BIS executes these duties through its Conformity Assessment Regulations (CAR), 2018, which specify procedures for schemes like the ISI Registration Scheme, the Compulsory Certification Scheme, and the Foreign Manufacturers Certification Scheme (FMCS). According to Mehrotra & Agrawal (2023), QCOs apply not only to Indian manufacturers but also to foreign producers seeking access to the Indian market, and these entities must obtain certification under the FMCS. They might need to appoint an Indian representative to coordinate with BIS authorities. No product subject to a QCO can be sold, stored, imported, distributed, or exhibited in India without displaying the BIS Standard Mark, which is issued only upon receiving a license or a Certificate of Conformity (CoC). To ensure compliance, the penalties under Section 29(3) of the BIS Act can include fines, imprisonment, or both for violations (Bureau of Indian Standards, n.d.).

Literature Review

India's "industrial hollowing-out" is generally linked to the post-1991 liberalisation period through the 2000s, when manufacturing's share in GDP stagnated, and employment shifted towards services. The lack of strong BIS technical standards and conformity infrastructure was one contributing factor, but not the only one. The challenges in the 1990s–2000s were related to the limited coverage of BIS standards, which did not comprehensively extend across

emerging industrial sectors. Additionally, there was weak enforcement of existing standards, along with a complete absence of conformity assessment and certification, both of which were not applied uniformly. The final issue was the global mismatch of Indian standards, as BIS often lagged behind international norms, making exports more difficult and imports easier. (BIS, N.D.) The structural reforms, import competition, weak technology upgrading, and fragmented regulatory capacity also played key roles. (Banga, Reshmi, 2013) Over the past decade, India has shifted from voluntary standard-setting to mandatory technical regulations, with Quality Control Orders (QCOs) becoming a vital tool for enforcing product standards. This change aligns closely with national industrial and trade goals, such as Make in India and Atma Nirbhar Bharat, which aim to increase domestic manufacturing, reduce reliance on substandard imports, and enhance the global reputation of Indian products (Tomar et al., 2025). Mehrotra and Agrawal (2023) also noted that QCOs are meant to ensure that products manufactured or imported into India meet specific Indian standards, thereby supporting consumer safety, environmental sustainability, and fair trade.

However, while QCOs help improve product quality and regulatory discipline, they may also raise concerns about compliance burdens, administrative delays, and potential trade protectionism, especially for the micro, small and medium-sized enterprises (MSMEs) (Mishra, 2025), and a few foreign exporters. They may also act as non-tariff barriers, requiring compliance through third-party certification to limit market access for substandard goods (Grinsted et al., 2018; Bureau of Indian Standards, n.d.).

The implementation of QCOs has had significant effects across various sectors, transforming both domestic production and India's role in global trade. Sector-specific QCOs have been applied to regulate a wide range of industries, including chemicals, steel, electronics, tyres, toys, electrical motors, solar PVs, transformers, jewellery, and more. Domestically, QCOs serve a dual purpose: safeguarding consumer safety and environmental health, while also promoting import substitution and boosting industrial competitiveness. In sectors such as steel and toys, post-QCO enforcement has led to a noticeable increase in domestic production, driven by lower import penetration and a shift in preference towards certified suppliers (Tomar et al., 2025). Jewellery exports reportedly grew by 15% following the introduction of hallmarking and QCO regulations, reflecting enhanced trust in product quality (Bandyopadhyay et al., 2025).

Nonetheless, the distributional and structural impacts of Quality Control Orders (QCOs) are uneven. Micro, Small, and Medium Enterprises (MSMEs) face disproportionately high compliance costs, short transition periods, and limited access to BIS-approved laboratories, all of which are further worsened by constraints on technical capacity and infrastructure (Grinsted et al., 2018). Regional enforcement differences complicate the consistent adoption of regulations, leading to regulatory exclusion in some areas (Bandyopadhyay et al., 2025). According to Godbole et al. (n.d.), QCOs have effectively limited the inflow of substandard imports, especially from China, through strict conformity assessment requirements. However, these measures also serve as technical barriers to trade, increasing transaction costs, causing licensing delays, and reducing transparency for exporters. Trading partners such as the United

States and the European Union have criticised India's QCO regime for deviating from international standards, describing it as regulatory protectionism (Tomar et al., 2025).

Although QCOs have improved perceptions of Indian export quality, they also impose dual compliance burdens because many foreign jurisdictions do not recognise BIS certification. This results in higher costs, redundant certification, and barriers to accessing global markets, especially for firms lacking strong regulatory capacity.

The existing literature on QCOs in India has grown significantly in recent years, reflecting their increasing influence on trade, regulation, and industry outcomes. Most current research is descriptive and policy-oriented, especially exploring how QCOs act as non-tariff barriers, support domestic manufacturing, and shape import-substitution strategies. Empirical studies assessing their economic or trade impacts remain limited. While some sector-specific studies, particularly in the chemicals, electronics, and steel industries, highlight both benefits (such as increased domestic production) and drawbacks (including compliance costs and supply chain issues), few employ rigorous econometric or firm-level methods to accurately evaluate the actual trade effects. There is also limited research on long-term impacts, including how QCOs influence firm behaviour, innovation, or export diversification over time. Additionally, there is a scarcity of data-driven analyses quantifying the trade-offs between regulatory protection and consumer welfare, or between QCO enforcement and trade competitiveness. Overall, although policymakers consider QCOs a key tool in regulatory strategies, future research should address these methodological and thematic gaps to support more evidence-based policies.

Against this backdrop, the present study aims to fill a crucial empirical gap in the literature. It provides one of the first quantitative assessments of the trade impact of the Toys (Quality Control) Order, 2020, analysing both macro-level trade data and firm-level shipment patterns to evaluate how regulatory enforcement has transformed India's toy trade. By combining WITS and DGCI&S datasets with Panjiva firm-level data, the study explores whether the QCO has improved India's export competitiveness while reducing low-quality imports. Unlike previous descriptive studies, this research adopts a data-driven approach to distinguish pre- and post-QCO trade trends, measure shifts in export destinations, and examine import declines from key partners. It also investigates variations in firm responses, providing insights into whether global and domestic firms differ in their ability to adapt to new conformity assessment systems.

In doing so, this study contributes to the existing literature in three ways: it provides empirical evidence on how QCOs, as non-tariff regulatory measures, influence sectoral trade flows in a developing-country context. Second, it broadens the understanding of regulatory administration in India by linking policy intent with measurable trade outcomes. Lastly, it offers a firm-level perspective on how compliance capacity and ownership structures affect firms' adaptation to mandatory standards. Overall, this research enhances the discourse on QCOs as tools of regulatory protection and industrial upgrading.

Data Sources and Methodology

4.1 For Macro-Level Trade Analysis

First, we identified the HS codes at the 8-digit level. The following four codes are classified as toys regulated by the QCO (HS codes at the eight-digit level: 9503.00.10, 9503.00.20, 9503.00.30, and 9503.00.90). We also want to highlight that, since the study analyses trade from 1995 onward, we have used the HS Transposition. Subsequently, we employed WITS and DGCS&S as data sources to examine India's exports and imports with the world and FTA partners. Third, we aimed to include both existing and new FTA partners, as well as countries with ongoing free trade agreement (FTA) negotiations. Additionally, since China is a major player in global supply chains, it has also been included in the study. Therefore, the study encompasses the following nine economies: Australia, Chile, China (an APTA member), EFTA, New Zealand, Peru, the UAE, the UK, and the USA.

4.2 For Firm-Level Export & Import Analysis

From the S&P (Panjiva) database, firm-level data were extracted for India's exports of toys to the world across four HS lines at the 8-digit level (9503.00.10, 9503.00.20, 9503.00.30, and 9503.00.90) covering the period from 2020 to 2024, due to limited data availability. Next, we calculated the total trade value for each of the five years (2020-2024), the average trade value, and the per-shipment trade value for each firm in the export dataset. We then identified the top 10 toy-exporting firms worldwide, ranked by their average trade value. After this, we analysed the toy export destinations and tracked the ownership of these exporting firms.

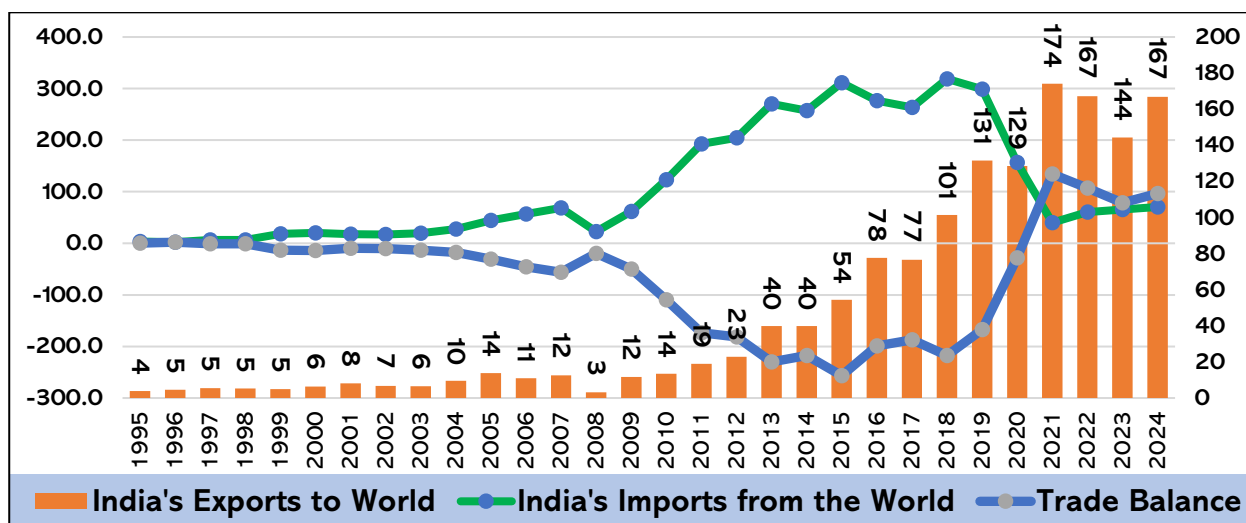
For import analysis, we extracted India's import data from six countries- China, Hong Kong, Singapore, Taiwan, the United Kingdom, and the United States- for the selected four HS codes. Then, we calculated the total trade value over five years (2020-2024), the average trade value, and the per-shipment trade value for each firm in the export dataset. Finally, we identified the top three Indian importing firms for each of the six exporting countries to India based on their average trade from 2020 to 24.

Analysis and Results

5.1 Macro Level Analysis: India's Toys Export and Import Trends

The adoption of the Quality Control Order (QCO) in 2020 has significantly boosted India's toy exports, while also reducing imports of lower-quality toys. India's toy exports grew to USD 166.8 million in 2024, up from USD 131.50 million in 2019, demonstrating the positive impact of QCO implementation. Meanwhile, India's toy imports declined from USD 318.9 million in 2018 to USD 40 million in 2021. The consistent increase in exports, followed by a decrease in imports after the enforcement of QCO, has improved the toy sector's trade balance.

Figure 1: The QCO Impact: India's Export and Import Trends of Toys (USD million)



Source: Authors' Calculation from WITS.

The trade deficit shifted from USD 256.62 million in 2015 to a surplus of USD 96.44 million in 2024 (see Figure 1). This trend became clear over the five years following China's accession to the WTO, during which imports increased from USD 22.6 million in 2008 to USD 318.9 million in 2013. Although China displaced a major toy manufacturer operating in India, which mainly served the domestic market, this did not significantly affect international trade statistics. This results in large-scale hollowing out of India's manufacturing sector, eroding overall income (including corporate earnings and wages), savings, and employment, with significant socio-economic implications for India. The following sections provide a detailed analysis of India's trends in toy exports and imports.

5.2 India's Exports of Toys

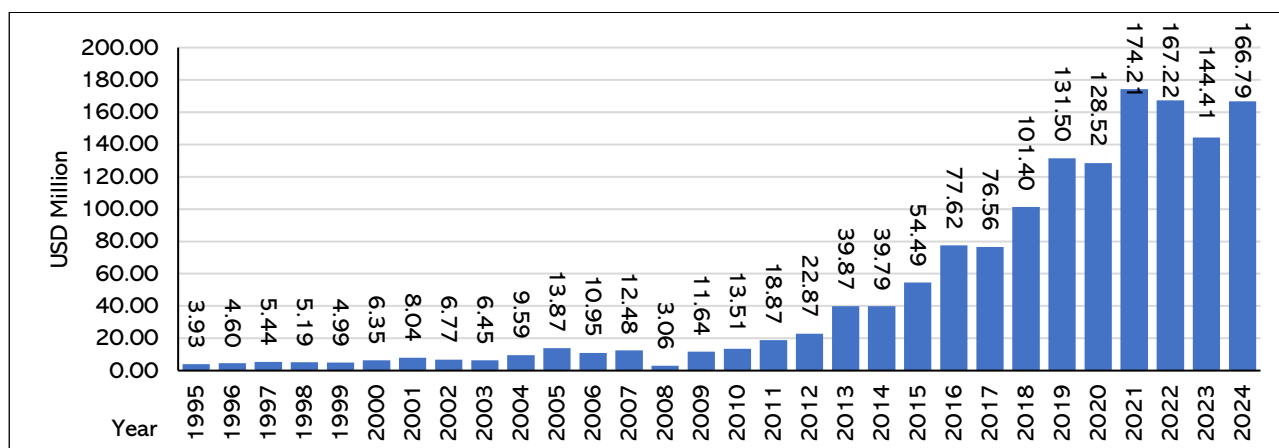
The impact of the QCO on toy safety has been evaluated based on its effect on trading partners' exports and imports, and similarly for each of the four products at the 8-digit HSN level. This section comprises two subsections: the first examines India's exports, and the second examines its imports.

5.2.1 Trends in India's Toy Exports in HS 6 Digit

Over the three-decade period, India's exports have exhibited a clear upward trend. In 1995, total exports to the world were around USD 3.93 million and steadily increased over the years, reaching a peak of USD 174.21 million in 2021 before slightly decreasing to USD 166.79 million in 2024.

Among the countries analysed, the United States consistently stood out as the leading destination for Indian exports. From USD 1.25 million in 1995, exports to the U.S. grew to USD 78.60 million in 2024. The United States remains India's leading export destination, with its share increasing from 31.86% in 1995 to 47.12% in 2024. Its average share throughout the period was 33.00%. The CAGR of exports to the USA was 15%.

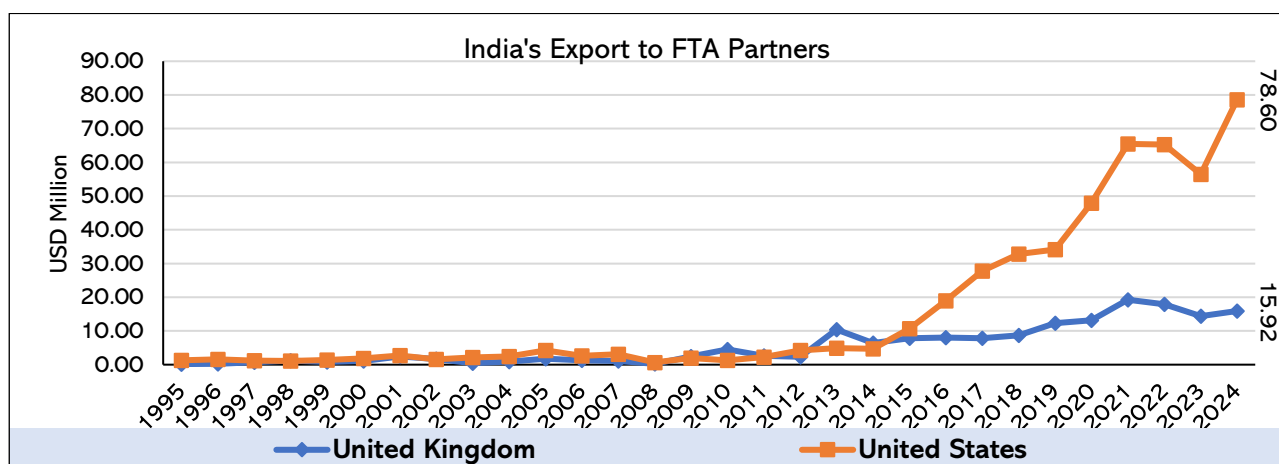
Figure 2: India's Export to the World in USD Million (1995-2024)



Source: Authors' Calculation from WITS

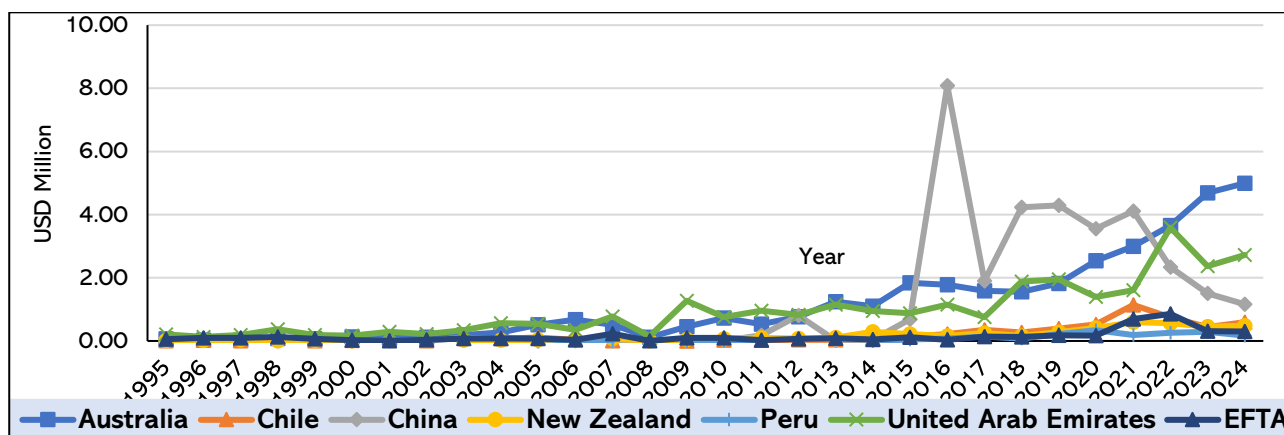
Figure 4 shows that exports to Australia increased steadily after 2013, reaching USD 4.99 million in 2024. Australia's share of India's exports grew from 1.79% in 1995 to 2.99% in 2024, maintaining a modest average of 2.39% over thirty years with a CAGR of 16%. While starting from a low base, China experienced gradual growth in imports from India. In 2016, India exported USD 8 million worth of toys. China's share in India's exports was 0% in 1995 and rose modestly to 0.69% in 2024. Notably, China's average share was 2.51% from 1995 to 2024. The CAGR of exports to China was 19%. India's exports to EFTA remained consistently below USD 1 million, reaching USD 0.30 million by 2024. However, EFTA's share in India's exports decreased from 1.44% in 1995 to 0.18% in 2024. India's exports to EFTA grew at a CAGR of 6%. New Zealand's share of India's exports slightly declined from 0.36% in 1995 to 0.29% in 2024, with exports to New Zealand growing at an approximate CAGR of 13%.

Figure 3: India's Export to UK & USA in USD Million (1995-2024)



Source: Authors' Calculation from WITS

Figure 4: India's Export to FTA Partners in USD Million (1995-2024)



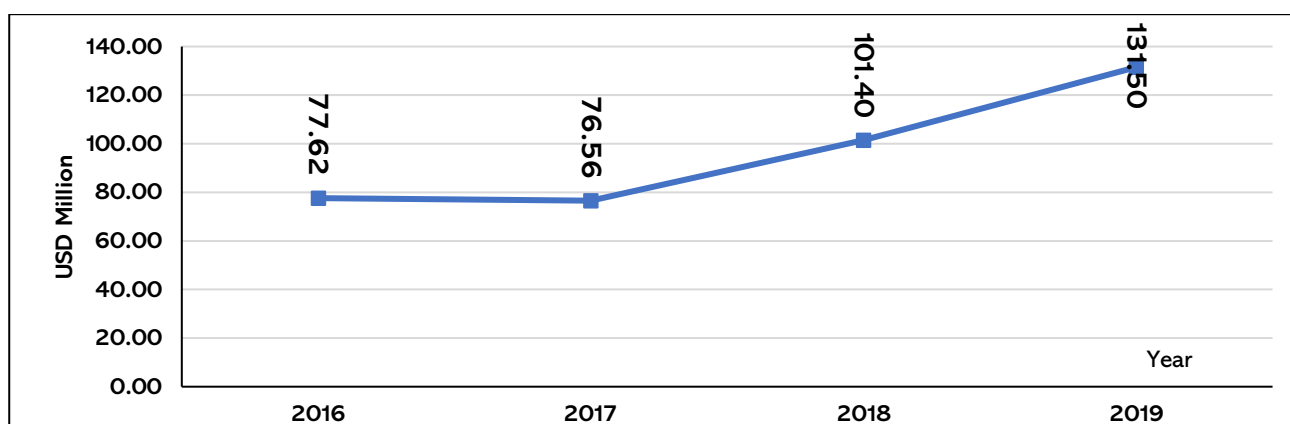
Source: Authors' Calculation from WITS.

The United Kingdom also experienced steady growth in Indian exports, reaching USD 15.9 million in 2024, up from just USD 0.2 million in 1995. During this period, the UK increased its share of India's exports from 4.45% to 9.55%, with an average share of 11.43% and a 17% CAGR. Exports to the UAE have mostly remained below USD 1 million, reaching USD 2.72 million by 2024. Once accounting for 5.19% of India's exports in 1995, the UAE now represents only 1.63%, despite a moderate average share of 1.95% during this period. The CAGR of exports to the UAE stand at 9%.

5.2.2 Impact of Toys QCO on Exports from India¹

The section above showed the three-decade trend in India's toy exports. The impact of the QCO was felt only from 2019 to 2021, and it was implemented in 2020. Although the standards of importing countries directly influence India's toy exports, this section examines how Indian exports behaved before and after the Toys QCO order was implemented in 2020. Comparing India's export performance before and after the September 2020 implementation of the Quality Control Order (QCO) reveals a shift in the trend.

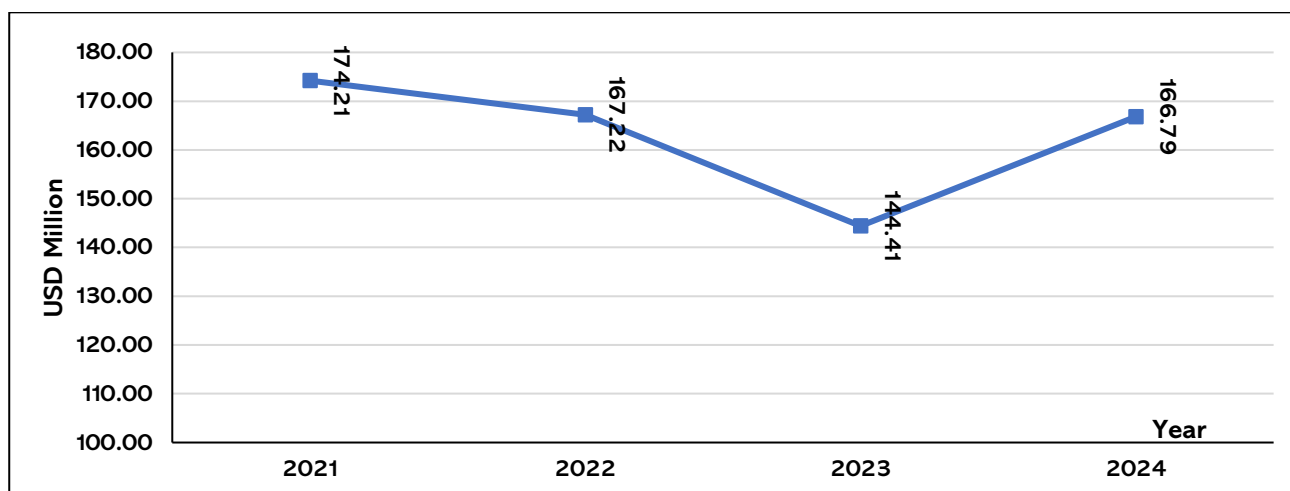
Figure 5: India's Export to the World (2016-2019) in USD Million



Source: Authors' Calculation from WITS

¹ This sub-section is analysed at the HSN six-digit level.

Figure 6: India's Export to the World (2021-2024) in USD Million



Source: Authors' Calculation from WITS

Figure 5 illustrates that in the four years preceding the QCO (2016–2019), India's total exports amounted to USD 387.08 million, with a steady annual increase from USD 77.62 million in 2016 to USD 131.50 million in 2019.

However, four years after QCO implementation (2021–2024), total exports increased significantly to USD 652.63 million. Exports peaked at USD 174.21 million in 2021. Since the start of QCO, India has exported more than USD 140 million each year (see Figure 6).

Table 1 compares India's export share with key Free Trade Agreement (FTA) partners, both existing and proposed, before and after the implementation of the Quality Certification Ordinance (QCO) in 2020. Notably, China experienced a significant decline in its average share, decreasing from 4.78% to 1.40%, with a negative Compound Annual Growth Rate (CAGR) of 27% in the post-QCO period. Before the QCO, China already showed a negative CAGR of 14.6%. China exhibits the most notable decline in both average share and CAGR.

Table 2: The Impact of QCO Order on India's Export to FTA Partner

FTA Partners	Before QCO Order			After QCO Order			Change in Avg Share (%)	Change in Avg Export
	Avg (2016-2019)	Avg Share	CAGR (%)	Avg (2021-2024)	Avg Share	CAGR (%)		
Australia	1.69	1.74	0.61	4.08	2.50	13.60	0.76	2.40
Chile	0.31	0.32	15.69	0.73	0.45	-15.17	0.13	0.42
China	4.63	4.78	-14.62	2.28	1.40	-27.15	-3.39	-2.35
New Zealand	0.21	0.22	16.25	0.52	0.32	-5.20	0.10	0.31
Peru	0.13	0.13	32.27	0.23	0.14	-2.89	0.00	0.10
United Arab Emirates	1.44	1.48	13.98	2.57	1.58	14.00	0.09	1.14
EFTA	0.12	0.12	44.56	0.54	0.33	-18.64	0.21	0.42
United Kingdom	9.23	9.53	11.12	16.86	10.33	-4.65	0.80	7.64
United States	28.42	29.37	15.90	66.47	40.74	4.67	11.37	38.05
ROW	50.61	52.29	18.02	68.86	42.21	-5.67	-10.09	18.26

FTA Partners	Before QCO Order			After QCO Order			Change in Avg Share (%)	Change in Avg Export
	Avg (2016-2019)	Avg Share	CAGR (%)	Avg (2021-2024)	Avg Share	CAGR (%)		
World	96.77	100.00	14.08	163.16	100.00	-1.08	0.00	66.39

Note: * APTA member.

Source: Authors' Calculation from WITS

Conversely, the United States experienced a significant increase, with its average share rising from 29.37% to 40.74%, reflecting the most significant positive change of 11.37%. The Compound Annual Growth Rate (CAGR) for 2020 was 15.90%; however, it declined to 5% after the implementation of the QCO. India's exports to Australia saw its average share grow from 1.74% to 2.50%, with a positive CAGR of 14% during the post-QCO period and a 0.76 percentage-point increase in average share. Similarly, the share of exports to the United Arab Emirates (UAE) improved by 0.09 percentage points between the pre- and post-QCO periods, maintaining a steady CAGR of 14% across both periods. The European Free Trade Association's (EFTA) average share increased by 0.21%, despite a post-QCO CAGR of -19%. During the pre-QCO period, exports to EFTA exhibited a positive CAGR of 44.5%. Lastly, the United Kingdom experienced a slight increase in its average share by 0.8%, with a negative CAGR of 4.65% in the post-QCO period, whereas its CAGR during the pre-QCO period was 11.12%.

5.2.3 India's QCO on Toys: Product-Wise Impact (HS-8 Digit Level)

In this section, we analyse the influence of QCOs on India's export performance at the HS 8-digit level. The data used for this analysis were obtained from DGCI&S. The pre-QCO period covers 2017-2019, while the post-QCO period covers 2021-2024. Due to limitations in data availability, the focus remains on these specified years.

Table 3: India's Export of HS 95030010 in USD Million

Country	Before QCO Order		After QCO Order		Change in Avg Share (%)	Change in Avg Export
	Avg Export 2017-2019	Avg share 2017-2019 (%)	Avg Export 2021-2024	Avg share 2021-2024 (%)		
Australia	0.02	0.43	0.28	1.34	0.91	0.26
Chile	0.03	0.98	0.06	1.01	0.03	0.03
China	0.06	1.72	0.26	1.33	-0.39	0.20
New Zealand	0.00	0.00	0.05	0.52	0.52	0.05
Peru	0.02	0.42	0.01	0.15	-0.27	-0.01
UAE	0.02	0.57	0.11	1.13	0.55	0.09
UK	0.28	7.33	1.80	9.38	2.05	1.52
USA	1.64	42.44	8.34	43.33	0.89	6.69
EFTA	0.00	0.00	0.03	0.11	0.11	0.03
ROW	1.65	46.10	7.09	41.70	-4.40	5.44
World	3.73	100.00	18.01	100.00	0.00	14.28

Source: Authors' Calculation from DGCI&S.

The export data for India's HS code 95030010 shows a significant increase in total exports between 2017 and 2019, and again between 2021 and 2023. During this period, global export values rose from an average of USD 3.73 million to USD 16.76 million. The United States remained the primary destination, even though its market share slightly declined from 42.44% to 39.48%. Additionally, the United Kingdom, United Arab Emirates, Chile, and Australia demonstrated notable growth in India's export markets, with the UK's share rising from 7.33% to 10.18% and Australia's from 0.43% to 1.13%. Conversely, exports to China and Peru remained modest, with both countries experiencing slight decreases in their respective shares.

Table 4: India's Export of HS 95030020 in USD Million

Country	Before QCO Order		After QCO Order		Change in Avg Share (%)	Change in Avg Export
	Avg Export 2017-2019	Avg share 2017-2019 (%)	Avg Export 2021-2024	Avg share 2021-2024 (%)		
Australia	0.00	0.55	1.26	2.79	2.24	1.26
Chile	0.00	0.00	0.29	0.39	0.39	0.29
China	0.00	0.00	0.83	0.90	0.90	0.83
New Zealand	0.00	0.33	0.17	1.27	0.94	0.16
Peru	0.00	0.00	0.12	0.16	0.16	0.12
UAE	0.27	31.45	0.48	1.67	-29.78	0.21
UK	0.04	14.92	5.86	12.35	-2.57	5.82
USA	0.05	15.68	19.95	29.93	14.25	19.90
EFTA	0.00	0.55	0.08	0.13	-0.41	0.08
ROW	0.21	36.53	25.07	50.40	13.87	24.86
World	0.58	100.00	54.09	100.00	0.00	53.51

Source: Authors' Calculation from DGCI&S.

Regarding HS code 95030020, India's exports have increased significantly, rising from an average of USD 0.58 million during 2017–2019 to USD 40.18 million during 2021–2023. The United States has become the top destination, with export values growing from USD 0.05 million to USD 13.80 million and its share of total exports expanding from 15.68% to 26.55%. The United Arab Emirates, which previously accounted for over 31% of exports, saw its share decrease to 1.91%, despite a slight overall rise in total export volume. Between 2017 and 2019, export levels to Australia, China, and the United Kingdom were minimal or non-existent. Conversely, during the 2021–2023 period, exports to Australia reached USD 0.99 million, to China USD 0.79 million, and to the United Kingdom USD 5.17 million.

Table 5: India's Export of HS 95030030 in USD Million

Country	Before QCO Order		After QCO Order		Change in Avg Share (%)	Change in Avg Export
	Avg Export 2017-2019	Avg share 2017-2019 (%)	Avg Export 2021-2024	Avg share 2021-2024 (%)		
Australia	0.70	1.35	0.55	1.24	-0.11	-0.14

Country	Before QCO Order		After QCO Order		Change in Avg Share (%)	Change in Avg Export
	Avg Export 2017-2019	Avg share 2017-2019 (%)	Avg Export 2021-2024	Avg share 2021-2024 (%)		
Chile	0.22	0.43	0.23	0.47	0.04	0.01
China	2.49	4.28	0.96	1.58	-2.70	-1.54
New Zealand	0.12	0.22	0.11	0.21	-0.01	-0.02
Peru	0.12	0.22	0.07	0.15	-0.07	-0.06
UAE	0.28	0.49	0.13	0.29	-0.19	-0.14
UK	5.92	10.35	3.93	11.38	1.03	-1.99
USA	10.73	19.53	11.74	26.07	6.54	1.01
EFTA	0.04	0.06	0.23	0.60	0.54	0.19
ROW	35.93	63.07	15.60	58.02	-5.06	-20.32
World	56.54	100.00	33.53	100.00	0.00	-23.00

Source: Authors' Calculation from DGCI&S

Regarding HS code 95030030, India's export landscape experienced significant changes from 2017 to 2019 and again from 2021 to 2023. While total global exports in this category decreased from an average of USD 56.54 million to USD 44.71 million, the United States notably increased its market share from 19.53% to 26.07%, with export values rising from USD 10.73 million to USD 15.65 million, reaffirming its position as India's main export destination. The United Kingdom remained an important partner, holding a substantial share of around 11%, with only a slight drop in absolute export value. Exports to China fell in both total value and market share, whereas exports to EFTA countries saw considerable growth. It is important to note that, for 2024, DGCI&S reported zero trade values across all nations. Although 2024 figures are included in the average export calculation, they are not part of the average share calculation. As a result, the average share correctly reflects data from 2021-2023.

Table 6: India's Export of HS 95030090 in USD Million

Country	Before QCO Order		After QCO Order		Change in Avg Share (%)	Change in Avg Export
	Avg Export 2017-2019	Avg share 2017-2019 (%)	Avg Export 2021-2024	Avg share 2021-2023 (%)		
Australia	0.93	2.21	0.95	3.51	1.30	0.02
Chile	0.09	0.20	0.15	0.32	0.12	0.06
China	0.91	2.18	0.42	0.95	-1.23	-0.49
New Zealand	0.11	0.26	0.12	0.30	0.04	0.02
Peru	0.01	0.03	0.03	0.14	0.11	0.02
UAE	0.95	2.20	1.15	3.47	1.27	0.20
UK	3.29	7.95	3.33	8.17	0.21	0.04
USA	19.00	45.66	15.00	43.47	-2.19	-4.00
EFTA	0.10	0.24	0.10	0.23	-0.01	0.00
ROW	16.58	39.07	26.83	39.44	0.37	10.25
World	41.96	100.00	48.08	100.00	0.00	6.12

Source: Authors' Calculation from DGCI&S

Regarding HS code 95030090, India's exports showed a positive upward trend, increasing from an average of USD 41.96 million during 2017–2019 to USD 48.08 million during 2021–2023, reflecting consistent sectoral growth. The United States remained the leading destination, though its market share declined slightly from 45.66% to 43.47%. The United Arab Emirates, the United Kingdom, and Australia all experienced growth in both actual export values and market share, with the UAE's exports rising from USD 0.95 million to USD 1.53 million, and its market share expanding to 3.47%. Australia's market share increased from 2.21% to 3.51%. Conversely, exports to China decreased in both value and market share. It is noteworthy that, in 2024, the Directorate General of Commercial Intelligence and Statistics (DGCI&S) reported zero trade values with various countries and globally. Although data for 2024 were included in the average export calculations, they were excluded from the average market share computations. As a result, the average market share is explicitly shown for the period from 2021 to 2023.

5.3 India's Import of Toys

5.3.1 Trends in India's Toy Imports at the HS 6 Digit Level

India's toy imports rose significantly, from USD 3 million in 1995 to USD 318.9 million in 2018. Most of this growth happened after 2008, with imports jumping by 30%, from USD 22.6 million in 2008 to USD 318.9 million in 2018. The data shows that the primary driver of India's toy import growth is imports from China, which account for about 88% of the total. However, after the implementation of the QCO, India's toy imports from China dropped sharply, leading to a decline in overall toy imports.

The trend analysis of India's toy imports from its recent Free Trade Agreements (FTAs) and prospective partners has revealed an intriguing insight. Among these FTA partners, the European Union (EU) accounts for a significant share of India's total toy imports. Although imports from the EU declined following the implementation of the Quality Control Order (QCO), the data show that the EU quickly adapted to India's QCO standards, thereby helping to revive its exports to India. Specifically, India's imports from the EU decreased to USD 0.2 million in 2021 and then recovered to USD 7.1 million in 2024.

Figure 7: Trends of India's import of Toys from the World and China

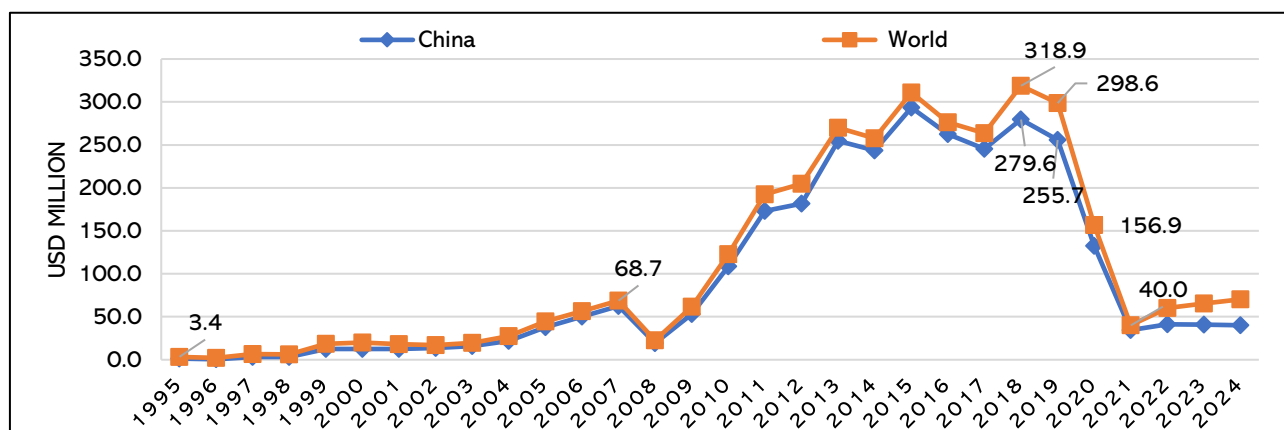
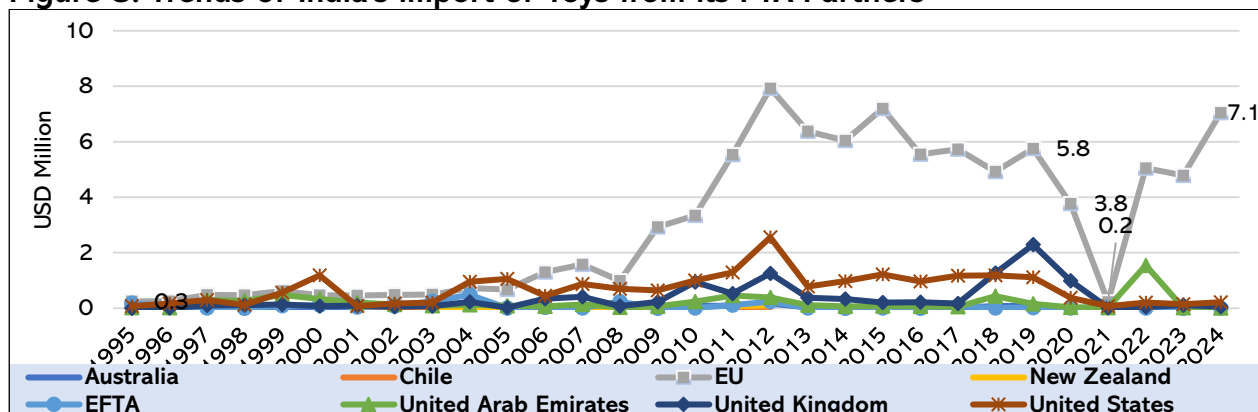


Figure 8: Trends of India's import of Toys from its FTA Partners



Source: Authors' Calculation from WITS

5.3.2 QCO and Its Impact on India's Toy Imports (HS 6 Digit)

A comparative analysis of India's imports before and after implementing the QCO at the 6-digit HSN level shows a decrease in the average import value of toys, from USD 289.3 million to USD 59.1 million (see the table below). There has been a significant decline in imports from China, with India's import share from China dropping by 23.8% in the post-QCO period compared to the pre-QCO period. Conversely, the import share from the European Union grew by 5.35% in the post-QCO period. Additionally, imports from EFTA and the United Arab Emirates increased in the post-QCO period (see Table 6).

Table 7: Impact of Quality Control Order on India's Toys Import at HS 6 level

FTA Partners	BEFORE QCO			AFTER QCO			Change in Avg Share	Change in Avg Import
	Avg Imp (2016-2019)	Avg Share in India's import (2016-2019) (%)	CAGR (%)	Avg Imp (2021-2024)	Avg Share in India's import (2021-2024) (%)	CAGR (%)		
Australia	0.05	0.02	193.21	0.01	0.01	44.94	0.00	-0.04
Chile	0.02	0.01	-100.00	0.00	0.00	0.00	-0.01	-0.02
China	260.79	90.13	-0.65	39.20	66.35	3.83	-23.79	-221.59
EFTA	0.03	0.01	201.47	0.01	0.02	-56.46	0.01	-0.02
New Zealand	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
UAE	0.17	0.06	23.65	0.40	0.67	-39.15	0.61	0.23
UK	0.99	0.34	79.31	0.06	0.09	32.82	-0.25	-0.93
USA	1.11	0.38	3.62	0.16	0.27	31.37	-0.11	-0.95
ROW	26.19	9.05	33.05	19.25	32.58	54.84	23.53	-6.94
World	289.33	100.00	1.96	59.09	100.00	15.17	0.00	-230.24

Source: Authors' Calculation from WITS

5.3.3 QCO on Toys and Its Impact on Imports (HSN 8 Digit Level)

The impact of the Quantum of Certification Order (QCO) has been examined concerning India's imports from its Free Trade Agreement (FTA) partners and China across four specific HS8-level product categories: Electronic Toys, etc. (HS 9503.00.10), Non-Electronic Toys, etc. (HS 9503.00.20), Dolls of Plastic, etc. (HS 9503.00.30), and other toys (HS 9503.00.90). The

tables below show that Dolls of Plastic, etc. (HS 9503.00.30) and other toys (HS 9503.00.90) account for a significant share of India's overall toy imports. The implementation of QCO has significantly reduced these imports to only two of the four categories. Specifically, the import of Dolls of Plastic, etc. (HS 9503.00.30), which was USD 199.65 million during the pre-QCO period (2016–2019), fell to USD 5.16 million in the post-QCO period (2021–2024). Likewise, the import of other toys (HS 9503.00.90) declined to USD 20.46 million from USD 80.92 million during the same periods. Additionally, imports of Electronic Toys, etc. (HS 9503.00.10) have decreased following the enactment of the QCO. While the reductions in imports of Dolls of Plastic, etc. (HS 9503.00.30) and Electronic Toys, etc. (HS 9503.00.10) mainly result from lower imports from China, the decrease in imports of other toys (HS 9503.00.90) is primarily driven by declines in imports from Australia, the United States, and the United Kingdom.

India's imports of Non-Electric Toys, etc. (HS 9503.00.20) from the EU, EFTA, and the UAE increased after the implementation of QCO, resulting in an overall rise in imports of this product. Meanwhile, imports of non-electric toys (HS 9503.00.20) from China fell from USD 2.27 million before QCO to USD 1.55 million afterwards.

The analysis revealed evidence indicating that QCO has significantly curtailed India's toy imports. This trend persists across HS8-level product categories, except Non-Electrical Toys (HS 9503.00.20). Notably, the most significant reduction in imports has been from China.

Table 8: India's Import of Electronic Toys, etc. (HS 95030010) from its FTA partners and China

Country	Before QCO Order		After QCO Order		Change in Avg Share (%)	Change in Avg Import
	Avg Import 2017-2019	Avg share 2017-2019 (%)	Avg Import 2021-2024	Avg share 2021-2024 (%)		
Australia	0.00	0.00	0.00	0.00	0.00	0.00
Chile	0.00	0.00	0.00	0.00	0.00	0.00
China	1.40	79.55	0.11	62.69	-16.86	-1.30
N. Zealand	0.00	0.00	0.00	0.00	0.00	0.00
Peru	0.00	0.00	0.00	0.00	0.00	0.00
UAE	0.00	0.00	0.00	0.00	0.00	0.00
UK	0.01	0.38	0.00	0.00	-0.38	-0.01
USA	0.12	7.01	0.00	1.49	-5.52	-0.12
EFTA	0.00	0.19	0.00	0.00	-0.19	0.00
ROW	0.23	12.88	0.06	35.82	22.94	-0.17
World	1.76	100.00	0.17	100.00	0.00	-1.59

Source: Authors' Calculation from DGCI&S

Table 9: India's Import of Non-Electronic Toys, etc. (HS 95030020) from its FTA partners and China

Country	Before QCO Order		After QCO Order		Change in Avg Share (%)	Change in Avg Import
	Avg Import 2017-2019	Avg share 2017-2019 (%)	Avg Import 2021-2024	Avg share 2021-2024 (%)		
Australia	0.00	0.00	0.01	0.04	0.04	0.01
Chile	0.00	0.00	0.00	0.00	0.00	0.00
China	2.27	93.93	1.56	11.02	-82.91	-0.71

Country	Before QCO Order		After QCO Order		Change in Avg Share (%)	Change in Avg Import
	Avg Import 2017-2019	Avg share 2017-2019 (%)	Avg Import 2021-2024	Avg share 2021-2024 (%)		
N. Zealand	0.00	0.00	0.00	0.00	0.00	0.00
Peru	0.00	0.00	0.00	0.00	0.00	0.00
UAE	0.00	0.14	0.09	0.64	0.50	0.09
UK	0.01	0.28	0.01	0.04	-0.24	0.00
USA	0.03	1.24	0.01	0.05	-1.19	-0.02
EFTA	0.00	0.00	0.01	0.05	0.05	0.01
ROW	0.11	4.41	12.46	88.16	83.75	12.35
World	2.42	100.00	14.13	100.00	0.00	11.71

Source: Authors' Calculation from DGCI&S

Table 10: India's Import of Plastic dolls, etc. (HS 95030030) from its FTA partners and China

Country	Before QCO Order		After QCO Order		Change in Avg Share (%)	Change in Avg Import
	Avg Import (2017-2019)	Avg share 2017-2019 (%)	Avg Import 2021-2024	Avg share 2021-2024 (%)		
Australia	0.01	0.01	0.00	0.00	-0.01	-0.01
Chile	0.00	0.00	0.00	0.00	0.00	0.00
China	189.48	94.90	4.99	96.61	1.70	-184.50
N. Zealand	0.00	0.00	0.00	0.00	0.00	0.00
Peru	0.00	0.00	0.00	0.00	0.00	0.00
UAE	0.03	0.01	0.00	0.00	-0.01	-0.03
UK	0.08	0.04	0.00	0.00	-0.04	-0.08
USA	0.29	0.15	0.00	0.00	-0.15	-0.29
EFTA	0.03	0.02	0.00	0.00	-0.02	-0.03
ROW	9.73	4.87	0.18	3.39	-1.48	-9.55
World	199.66	100.00	5.16	100.00	0.00	-194.50

Source: Authors' Calculation from DGCI&S

Table 11: India's Import of Other toys (HS 95030090) from its FTA partners and China

Country	Before QCO Order		After QCO Order		Change in Avg Share (%)	Change in Avg Import
	Avg Import (2017-2019)	Avg share 2017-2019 (%)	Avg Import 2021-2024	Avg share 2021-2024 (%)		
Australia	0.05	0.06	0.00	0.00	-0.06	-0.05
Chile	0.00	0.00	0.00	0.00	0.00	0.00
China	67.25	74.78	15.47	87.79	13.01	-51.78
N. Zealand	0.00	0.00	0.00	0.00	0.00	0.00
Peru	0.00	0.00	0.00	0.00	0.00	0.00
UAE	0.18	0.20	0.37	2.11	1.92	0.20
UK	1.15	1.28	0.02	0.09	-1.19	-1.14
USA	0.71	0.79	0.06	0.35	-0.43	-0.65
EFTA	0.00	0.00	0.02	0.09	0.09	0.02
ROW	20.60	22.90	1.69	9.57	-13.33	-18.91
World	89.94	100.00	17.63	100.00	0.00	-72.31

Source: Authors' Calculation from DGCI&S

5.4 India's Export & Import of Toys: Firm-level Analysis

5.4.1 India's Export

This section analyses the Panjiva database to identify India's top ten toy exporting firms. It also identifies their major export destinations and the countries of ownership.

Table 11 shows that the highest toy exports were made by firms listed as 'toys' without specific names. Among the top exporters, DHL Logistics Pvt. Ltd. leads with exports valued at USD 17.07 million, followed by Hasbro S.A. (USD 5.62 million), Schenker India Pvt. Ltd. (USD 3.61 million), DHL Logistics Pvt. Ltd. 101 (USD 3.40 million), and Micro Plastics (USD 2.94 million). The data also reveals that the United States is the main export destination for toys from India, with Mexico and Chile following. Regarding ownership, only three firms are Indian: Micro Plastics, Damco India Pvt. Ltd., and Sar Transport Systems Pvt. Ltd.; three are German-owned DHL Logistics Pvt. Ltd. and Hellmann Worldwide Logistics; and two firms are owned by U.S. entities Hasbro S.A. and Expeditors International (I) Pvt. Ltd.

Table 12: India's Export to the World of Toys: Firm-wise Analysis from 2020 to 2024

S No.	Firm	Shipment Destinations	Total Value (USD million)	Average Value (USD million)	Total No. of Shipments	Per Shipment Value (USD million)	Firm Ownership
1	No Name	United States*	85.36	17.07	1392	0.06	N/A
2	DHL Logistics Pvt., Ltd.	United States, Mexico, Chile	33.76	6.75	300	0.11	Germany
3	Hasbro S.A.	United States, Mexico, Peru, and Chile	16.86	5.62	156	0.11	United States
4	Schenker India Pvt., Ltd.	United States, Mexico, and Chile	14.42	3.61	157	0.09	Denmark
5	DHL Logistics Pvt., Ltd. 101	United States	10.19	3.40	139	0.07	Germany
6	Micro Plastics	United States, Colombia, Mexico, Australia, Canada	14.71	2.94	158	0.09	India
7	Damco India Pvt., Ltd.	United States, Mexico, and Canada	14.22	2.84	247	0.06	India
8	Sar Transport Systems Pvt., Ltd.	United States	13.78	2.76	135	0.10	India
9	Ferrero Trading Lux SA	Mexico	2.52	2.52	24	0.10	Luxembourg
10	Expeditors International (I) Pvt., Ltd.	United States	11.92	2.38	78	0.15	United States
11	Hellmann Worldwide Logistics	United States, Mexico, Ecuador, and China	8.18	2.04	75	0.11	Germany

Note: * Major destination is the United States, and other significant destinations are Chile, Peru, Sri Lanka, and Uruguay

Source: Panjiva, S&GP

5.4.2 India's Imports

In several cases, ownership of India's import firms is held by countries such as Germany, the United States, and the United Kingdom. The largest importers in Singapore are owned by parent companies based in Germany and the United States. Similarly, for the most prominent importers

from Taiwan, the United Kingdom, and the United States, ownership is connected to multiple countries, including the Cayman Islands, the United Kingdom, and the United States.

Table 13: Top 3 Indian importing firms from China from 2020-24 (HS-8 digit)

S. No.	Consignee	Shipment Origin	India's total Imports (2020-24) (1000 USD)	India's Average Imports from 2020-2024 (1000 USD)	No. of Consignment	Per Consignment Value (1000 USD)	Firm Ownership
1	Unistar Distributors Pvt., Ltd.	China	5561.70	1112.34	99	11.24	India
2	Inoor International Toys LLP	China	5195.74	1039.15	190	5.47	India
3	Unique Traders	China	4061.37	812.27	187	4.34	India

Source: Authors' computation from Panjiva Database

Table 14: Top 3 India's importing firms from Hong Kong from 2020-24 (HS-8 digit)

S. No.	Consignee	Shipment Origin	India's total Imports (2020-24) (1000 USD)	India's Average Imports from 2020-2024 (1000 USD)	No. of Consignment	Per Consignment Value (1000 USD)	Firm Ownership
1	VJP Shipping India Private Ltd.	Hong Kong	376.96	75.39	1	75.39	India
2	Excellent Services	Hong Kong	194.74	38.95	1	38.95	India
3	Reliance Brands Ltd.	Hong Kong	110.28	22.06	1	22.06	India

Source: Authors' computation from Panjiva Database

Table 15: Top 3 India's importing firms from Singapore from 2020-24 (HS-8 digit)

S. No.	Consignee	Shipment Origin	India's total Imports (2020-24) (1000 USD)	India's Average Imports from 2020-2024 (1000 USD)	No. of Consignment	Per Consignment Value (1000 USD)	Firm Ownership
1	Mercedes-Benz India Private Ltd.	Singapore	2578.80	515.76	3	171.92	Germany
2	Invitrogen Bioservices India P. Ltd.	Singapore	2.93	0.59	3	0.20	US
3	Trinity Gaming India Private Ltd.	Singapore	1.55	0.31	1	0.31	India

Source: Authors' computation from Panjiva Database

Table 16: Top 3 India's importing firms from Taiwan from 2020-24 (HS-8 digit)

S. No.	Consignee	Shipment Origin	India's total Imports (2020-24) (1000 USD)	India's Average Imports from 2020-2024 (1000 USD)	No. of Consignment	Per Consignment Value (1000 USD)	Firm Ownership
1	Rabyte Technologies LLP	Taiwan	59.82	11.96	1	11.96	India
2	Trucarekidz India Private Ltd.	Taiwan	31.89	6.38	2	3.19	India
3	MSI Pacific International Holding Co., Ltd.	Taiwan	18.96	3.79	1	3.79	Cayman Islands

Source: Authors' computation from Panjiva Database

Table 17: Top 3 India's importing firms from the United Kingdom from 2020-24 (HS-8 digit)

S. No.	Consignee	Shipment Origin	India's total Imports (2020-24) (1000 USD)	India's Average Imports from 2020-2024 (1000 USD)	No. of Consignment	Per Consignment Value (1000 USD)	Firm Ownership
1	Jaguar Land Rover India Ltd.	United Kingdom	0.85	265.23	9	29.47	India
2	Triumph Motorcycles (India) Private Ltd.	United Kingdom	144.26	28.85	2	14.43	United Kingdom
3	Mahindra Abd Mahindra Ltd.	United Kingdom	21.68	4.34	1	4.34	India

Source: Authors' computation from Panjiva Database

Table 18: Top 3 India importing firms from the United States from 2020-24 (HS-8 digit)

S. No.	Consignee	Shipment Origin	India's total Imports (2020-24) (1000 USD)	India's Average Imports from 2020-2024 (1000 USD)	No. of Consignment	Per Consignment Value (1000 USD)	Firm Ownership
1	DHL Logistics Private Ltd.	United States	566.91	113.38	1	113.38	Germany
2	Development Association for Integrated Activity	United States	320.00	64.00	4	16.00	India
3	Cliantha Research Ltd.	United States	120.19	24.04	1	24.04	India

Source: Authors' computation from Panjiva Database

Policy Recommendation

To further enhance the effectiveness of the Toys QCO and decrease dependence on imports, the following recommendations are made:

1. Enhanced monitoring of imports of Inferior Toys

Despite the enforcement of the Toys (Quality Control) Order (QCO), inferior toys continue to enter India's toy market, especially in the low-cost and mass-market segments. Certain manufacturers hold a competitive advantage due to economies of scale, advanced production technologies, and integrated supply chains. This highlights the need for better monitoring of customs data and stricter post-entry surveillance to prevent the circumvention of QCO norms through third-country routing.

2. Development of an Integrated Toy Manufacturing Ecosystem

The field findings reveal a lack of a dedicated toy manufacturing hub or ecosystem that can support the entire value chain, from raw material sourcing to design, moulding, assembly, and packaging. Most firms operate in isolated, small-scale clusters with limited backward or forward

linkages. This fragmentation hampers collective efficiency and innovation capacity. The government should establish integrated toy manufacturing parks or clusters under schemes such as the Industrial Corridor or the PLI (Production-Linked Incentives) framework. These hubs should include testing labs, tool rooms, design centres, and logistics facilities, thereby fostering economies of scale, skill specialisation, and technological diffusion.

3. Electronic Components and Chips: Reduce Single-Source Dependence

Electronic toys depend heavily on microchips and integrated circuits, which are almost entirely imported from China. The lack of a domestic semiconductor or microchip manufacturing base makes the sector vulnerable to supply disruptions and price fluctuations. The toy industry should coordinate with India's broader semiconductor and electronics manufacturing policy to secure priority access to chips and sensors for local toy producers.

India has introduced **PLI schemes for semiconductors and electronic components** that can serve as alternatives for the toy industry. While India does not yet have a fully developed domestic semiconductor fabrication base, the PLI for electronic components (₹22,919 crore, 2025) and the Semicon India program (₹76,000 crore, 2022) are designed to build local capacity in chips, sensors, and sub-assemblies. Toy manufacturers can leverage these initiatives to secure priority access to domestically produced microchips and reduce dependence on imports.

4. Overcome Licensing Overlaps

Many SMEs and informal manufacturers reportedly use a single BIS license to produce multiple toy categories, creating compliance gaps and inconsistent quality. This weakens the effectiveness of QCO enforcement, allowing unregulated producers to operate with little oversight. BIS should enhance post-licensing monitoring and adopt category-specific certification systems to ensure each product type meets its standards. Gradual formalisation could help integrate informal producers into the compliant system without harming livelihoods.

5. Reduce High Import Dependence for Inputs and Components

Even with domestic assembly, India's toy sector remains highly import-dependent, especially for raw materials, moulds, electronic components, and decorative accessories. Such reliance increases production costs and supply chain risks, particularly when import restrictions or certification delays occur. India should promote backward linkages by encouraging domestic production of toy parts, such as plastic components, paints, batteries, and electronic modules.

India can overcome its dependence on toy sector imports by building domestic backward linkages—expanding local production of raw materials, moulds, electronic modules, and decorative accessories—through targeted PLI schemes, cluster development, R&D support, and integration with broader electronics and plastics policies.

Conclusion

India's QCOs resulted from changing geopolitics between 2017 and 2019, as globalisation and liberalisation took a back seat, and unilateral measures gained prominence across major markets. Private agencies dominate globally, but their legitimacy depends on the accreditation of public authorities. Developed countries control the system through multinational certifiers and strong national accreditation bodies. Developing countries are building regional networks to reduce dependence. LDCs remain reliant on external recognition and technical assistance, with limited direct control over their development.

The enforcement of the Toys (Quality Control) Order, 2020, marks a significant development in India's regulatory and industrial policy framework. The findings of this research show that the Quality Control Order has achieved two primary outcomes: greatly enhancing the quality and safety standards of toys available in the Indian market, and reorganising trade patterns by reducing low-quality imports and encouraging domestic manufacturing. From 2019 to 2024, India's toy exports grew from USD 131.5 million to USD 166.8 million, while imports sharply decreased from USD 318.9 million in 2018 to USD 40 million in 2021, reflecting a notable shift towards self-reliance and a trade surplus.

At the organisational level, the QCO has led a shift from unregulated manufacturing to a standards-based system, thereby enhancing India's reputation as a producer of safe and compliant goods. The increase in exports to major markets such as the United States highlights the positive impact of regulatory enforcement. However, ongoing dependence on imports, especially of components, plastics, machinery, and chips from China, shows that India's toy industry remains fragile. This vulnerability stems from an underdeveloped domestic ecosystem, fragmented supply chains, and limited technological capabilities.

The study's field evidence further highlights systemic bottlenecks, such as the lack of sector-specific industrial hubs, insufficient testing infrastructure, and an informal manufacturing sector that remains outside full regulatory compliance. These issues reduce the transformative potential of the QCO framework and place a greater burden on MSMEs, which struggle to meet certification standards and bear the associated costs.

Therefore, although the Toys QCO Order has successfully aligned India's toy market with global quality standards and supported the goals of Make in India and Atmanirbhar Bharat, its long-term success relies on complementary policy measures. Enhancing domestic component manufacturing, forming integrated toy clusters, investing in R&D and design skills, and creating targeted skill and wage frameworks for the toy sector are essential for maintaining competitiveness.

Annexe Table 1: Mapping of CAP Obligations (Articles 5 to 9) and the ISO 17000.

S.N.	ISO/IEC 17000 Standard	Scope / Focus	TBT Obligation: Transparency	TBT Obligation: Non-Discrimination	FTAs and TBT Obligation: Equivalence / Recognition
1	ISO/IEC 17000 (Vocabulary)	Defines terms and principles of conformity assessment	Provides a common language, ensuring clarity and predictability in notifications and procedures.	Neutral terminology avoids bias between domestic and foreign suppliers.	Establishes shared definitions, facilitating mutual recognition of CAPs.
2	ISO/IEC 17011	Requirements for accreditation bodies	Requires publication of criteria and impartial procedures, aligning with TBT transparency provisions.	Accreditation must treat applicants equally, mirroring MFN/national treatment.	Supports international recognition of accreditation results (peer evaluations, ILAC/IAF).
3	ISO/IEC 17025	Competence of testing & calibration laboratories	Mandates documented procedures and publicly available scope of accreditation	Ensures equal treatment of test results regardless of origin.	Facilitates acceptance of foreign test results, reducing duplicative testing.
4	ISO/IEC 17065	Requirements for product certification bodies	Certification processes must be transparent and open to scrutiny.	Prevents discriminatory certification practices against foreign products.	Enables the equivalence of product certification across jurisdictions.
5	ISO/IEC 17020	Requirements for inspection bodies	Inspection criteria must be published and consistently applied.	Equal treatment of domestic and imported products during inspection.	Promotes recognition of inspection outcomes internationally.
6	ISO/IEC 17021	Requirements for management system certification	Certification audits must follow transparent, documented procedures.	Ensures impartiality in certifying domestic vs. foreign firms.	Supports cross-border acceptance of management system certifications
7	ISO/IEC 17024	Certification of persons	Transparent criteria for competence evaluation.	Equal treatment of professionals regardless of nationality.	Facilitates recognition of certified personnel across borders.

Source: Authors, based on various sources, including IAF, ILAC, ISO, UNIDO, and the WTO.

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