GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY
DEPARTMENT OF COMMERCE

RAJYA SABHA
UNSTARRED QUESTION NO. 3887
ANSWERED ON 04/04/2025

TRADE POLICY AND TARIFF REDUCTIONS

3887. SHRI DIGVIJAYA SINGH:
SHRI SHAKTISINH GOHIL:

Will the Minister of Commerce and Industry be pleased to state:

(a) whether Government concurs with the recent statement by the CEO of NITI Aayog that tariff protections do not benefit India and that reducing tariffs is necessary for economic growth;

(b) the details of tariff reductions implemented by Government in the last three years, including sector-wise breakdown;

(c) the details of tariff increases implemented by Government in the last three years, including sector-wise breakdown;

(d) the impact of these tariff reductions on domestic manufacturing and international trade competitiveness?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY
(SHRI JITIN PRASADA)

(a) The Government is aware of the recent statements made by NITI Aayog regarding tariffs and their impact on India's economic growth. The statement is in line with India’s broader strategy for achieving economic growth and making India a more attractive player in the global economy.

India's tariff policy is one of the instruments contributing to trade and aims to regulate/promote trade, protect domestic industries, and generate revenue through taxes on imported and exported goods. Recent reforms have focused on streamlining the tariff structure and facilitating trade. India is a member of the WTO and bound to its maximum tariff that can be applied to a given commodity line. The applied tariffs are generally below the bound tariff for a given commodity line.

With the changing trade scenario, India is moving towards having Preferential/Free Trade Agreements wherein customs tariffs and non-tariff barriers are reduced or eliminated on substantial trade between the PTA/FTA members. At present, India is a member of a large number of Free/Preferential Trade Agreements apart from ongoing negotiations with European Union (EU), United States of America (USA), United Kingdom (UK), Oman, New Zealand, Peru, etc.

While lowering tariffs, especially on inputs and intermediate goods, helps in letting manufacturers become more competitive, a calibrated approach is taken while deciding on tariff measures by balancing the domestic producers' and consumers' interest.

(b) & (c) Rationalization of customs tariff structure was undertaken in Budget 2023-24 when 8 slabs of Basic Customs Duty rates were removed from the Customs Tariff Act. This was continued in Budget 2025-26 wherein 7 more Basic Customs Duty rates were removed thereby compressing the numbers of tariff rates from 21 to 8 (including zero). The Basic Customs Duty rates were increased on a few items to either incentivise domestic manufacturing, to address environmental concerns or to provide temporary protection to domestic industry mainly in MSME sector from cheap imports from certain countries. The list of goods in which the customs tariff has been reduced and increased in the last 3 years can be accessed at http://www.cbic.gov.in/**.**

(d) The government has initiated comprehensive tariff reforms to correct inverted duty structures, i.e., situations where import duties on raw materials exceed those on finished products. Such reforms are designed to reduce production costs, encourage domestic manufacturing, and enhance global competitiveness. However, despite reductions, some domestic industries advocate for higher tariffs to protect against foreign competition. This highlights the ongoing challenge of balancing tariff policies to support both domestic growth and international competitiveness.

India's recent tariff reductions have had significant benefit for domestic manufacturing and international trade competitiveness across various sectors such as electronics and Electric Vehicles (EVs)/Mobile Phones wherein in March 2025, India eliminated import duties on 35 items essential for EV battery production and 28 items for mobile phone manufacturing. This move aims to bolster local production and enhance export competitiveness in these sectors.

Similarly, import duty reduction on critical minerals is likely to bring in investment in this sector.

In summary, India's tariff reductions aim to stimulate domestic manufacturing and improve international trade competitiveness. While these measures present opportunities for growth and enhanced global integration, they also necessitate strategic adjustments within domestic industries to navigate increased competition and evolving market dynamics.

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