SUMMARY

1. During the period under review, India continued its efforts to liberalize and facilitate trade, such as through the introduction of self-assessment in customs procedures and the elimination of state-trading requirements for some agricultural products. India also proceeded with further structural reforms including by eliminating price controls on diesel and relaxing foreign direct investment (FDI) restrictions in some sectors. Nonetheless, the tariff structure remains complex and the simple average MFN tariff rate increased during the review period.

2. India's trade policy is largely driven by domestic supply considerations and also intended to attain short-term objectives, such as containing fluctuations in commodity prices. This requires constant fine-tuning of policies, for example, through notifications by the Directorate General of Foreign Trade (DGFT) and Customs, rendering the trade regime less predictable and creating additional costs.

3. India's economic growth has been accelerating in recent years, although it is still below the 10% rate achieved in fiscal year 2010-11. Under the newly-revised series of national accounts released in January 2015, real GDP growth was 6.9% in 2013-14 and estimated to be around 7.4% in 2014-15; these revised figures show a more positive trend and outlook than that based on the previous series. India's per capita GDP was around US$1,500 in 2013-14. Inflation stood at 5.9% in July-September 2014; food prices, although lower recently, continued to put pressure on overall consumer prices. In the past few years, inflation became slightly milder due partly to declining oil prices. The Reserve Bank of India has recently been focusing on containing inflation. In February 2015, India introduced a new framework of "inflation targeting" for the medium term. During the period under review, the repo rate was increased several times until January 2015, when it was lowered by 0.25 percentage points. India does not publish official unemployment figures; the authorities state that the largest employment sector in India is agriculture.

4. India has continued its process of fiscal consolidation. Nonetheless, throughout the review period, India continued to post sizeable public sector deficits. According to India's regulations, the Government is required to reduce its fiscal deficit to 3% by 2017-18. It also intends to further streamline taxes including by introducing a goods and services tax (GST).

5. The current account deficit has recently been decreasing, to around 1.7% of GDP in 2013-14, mainly due to a decreasing merchandise trade deficit. Trade (exports and imports) in goods and non-factor services as a percentage of GDP was around 53% during the review period. The merchandise trade deficit increased until 2012-13 but decreased in 2013-14. The services trade surplus continued to increase, to 3.9% of GDP in 2013-14. The current account deficit has been financed through large capital inflows, both foreign direct and portfolio investment.

6. As recognized by the Government, structural bottlenecks remain a barrier to achieve a higher growth. This includes delays in project approval, ill-targeted subsidies, low manufacturing base and low agricultural productivity, difficulty in land acquisition, weak transportation network and power supply, and strict labour regulations and skill mismatches. These bottlenecks are being addressed through investment in infrastructure and education, simplification of the business environment by eliminating overregulation, and increasing predictability in trade and investment regimes.

7. India is an original Member of the WTO and provides MFN treatment to all Members and other trading partners. It accepted the Fourth and Fifth Protocols of the GATS. India is a strong advocate of the multilateral trading system and has historically been party to few regional trade agreements. However, despite India's reservations, regionalism has increasingly become an element of its overall trade policy objective of enhanced market access for its exports. This is evidenced by the 15 agreements currently in force and its involvement in the negotiation of other agreements.

8. India's trade policy objectives are stipulated in its Foreign Trade Policy (FTP), which is issued every five years, but revised periodically to take into account internal and external factors. The new 2015-20 FTP, released on 1 April 2015, aims to make India a significant participant in international trade and to raise its share of global exports to 3.5% in 2020. This is expected to be achieved by providing a sustainable and stable policy environment for foreign merchandise and

services trade; linking rules, procedures and incentives for trade with other recent initiatives such as "make in India", "digital India" and "skills India"; promoting the diversification of India's exports by assisting key sectors to become more competitive; and creating an architecture for India's engagement with key regions of the world.

9. Measures to attract FDI have included gradually increasing the number of sectors in which FDI is permitted and reducing sectoral restrictions. Since its last Review, India has continued to liberalize its investment policies, including raising foreign-ownership limits in some sectors, such as insurance and railway transport.

10. India has continued to streamline customs procedures and implement trade-facilitation measures. With a view to facilitating trade, India adopted the use of self-assessment in its customs procedures in 2011, and around 97.6% of India's imports were processed via the risk management system. Despite the implementation of these measures, India's import regime remains complex, especially its licensing and permit system, and its tariff structure, which has multiple exemptions, with rates varying according to product, user or specific export promotion programme.

11. In general, the value of imports is based on the transaction value. A landing charge (for loading, unloading, and handling) of 1% is added to the c.i.f. value, to calculate the transaction value. India uses "tariff values" (reference prices), to calculate customs duty levied on imports of certain palm oils, crude soybean oil, poppy seeds, brass scrap, gold, silver, and areca nuts. These reference prices are, in principle, revised every two weeks and adjusted to align them with international market prices.

12. India's tariff is announced in the annual Budget; however, individual tariff rates may be changed during the fiscal year. In addition to the standard tariff rate, importers are required to pay an additional duty and a special additional duty instead of local taxes. To determine the "effective" applied tariff rate (i.e. basic duties and other customs duties) on a particular product, separate customs and excise tax schedules must be consulted, which adds to the complexity of the tariff. India's tariff comprises mainly *ad valorem* rates (around 94% of tariff lines), levied on the c.i.f. value of imports, and some alternate or specific duties (6.1% of tariff lines).

13. The simple average MFN tariff rate rose to 13% in 2014-15, up from 12% in 2010-11. This reflects a rise in tariffs in agriculture, particularly for cereals and preparations thereof, oilseeds and fats, and sugars and confectionary. The average for WTO non-agricultural products (9.5%) is considerably lower than the average for WTO agricultural products, which is 36.4%. In 2014-15, tariffs ranged from zero to 150%. The largest proportion of tariff lines (71.7%) was subject to a tariff rate between 5% and 10%, while 10.7% of lines was subject to a tariff rate greater than zero but lower than 5%. The percentage of duty-free lines has declined slightly, from 3.2% to 2.7% of the total.

14. Non-*ad valorem* rates apply to 700 tariff lines. Of these, three are specific rates, while 697 are alternate rates affecting textiles and clothing as well as natural rubber products, which were not previously subject to alternate rates. *Ad valorem* equivalents of non-*ad valorem* rates were not available.

15. India's WTO bound tariff levels are much higher than the applied rates, especially for many agricultural products. These gaps allow the Government to modify tariff rates in response to domestic and international market conditions, but at the same time, they reduce tariff predictability.

16. India uses tariff rate quotas on some agricultural products and crude oil. The quotas are allocated by the DGFT with eligible importers being state-trading entities.

17. Imports may also be subject to non-tariff barriers including prohibitions, licences, and restrictions, as well as packaging, quality, and sanitary requirements. Import restrictions may be imposed on grounds, *inter alia*, of health, safety, moral and security reasons, and for self-sufficiency and balance of payments reasons. In 2012, India discontinued monitoring of some imported goods that were considered sensitive. In 2014, exclusive rights accorded to import 11 agricultural products were removed; nonetheless, India continues to apply import quotas on

marble and similar stones and sandalwood. State trading applies to certain agricultural goods, urea, and certain petroleum oils as a policy tool to ensure, *inter alia*, a "fair" return to farmers, food security, the supply of fertilizer to farmers, and the functioning of the domestic price support system.

18. India is one of the most active users of anti-dumping measures among WTO Members; it initiated more than 80 anti-dumping investigations against 23 trading partners during the period under review. During the same period, significant changes were made to India's anti-dumping legislation including new rules defining situations that are considered to represent the circumvention of anti-dumping duties, and providing for anti-circumvention investigations to address such circumvention. India initiated one countervailing investigation during the period; no definitive countervailing measure is in place. Since its last Review, India has also initiated 18 safeguard investigations.

19. Since India's last Review, there have been no significant changes to its SPS and TBT regulations. Some trade concerns were raised regarding its notified measures.

20. As in the case of imports, export prohibitions and restrictions are mainly in place, *inter alia*, to ensure domestic supply of specific goods and thus may be removed and applied as the circumstances require. In order to reduce the anti-export bias inherent in India's import and indirect tax regimes, a number of duty remission and exemption schemes are in place to facilitate exports. Tax holidays are also available to investors through special economic zones and export-oriented units.

21. India grants direct and indirect assistance to various sectors. Most central government subsidies are destined for agriculture. Other key subsidies include those for fertilizers and petroleum. Price controls, which apply to some commodities, including liquefied petroleum gas, natural gas, kerosene, and agricultural products, are mainly aimed at providing subsidies to farmers and the population under the poverty line. In 2012, new price controls on drugs were introduced with a view to ensuring availability of "essential medicines".

22. Since its last Review, India has made several amendments to its competition policy legislation, which concerned, *inter alia*, mergers and recovery of monetary penalty. India is an observer to the WTO Agreement on Government Procurement. While its procurement system continues to be decentralized, comprising a multiplicity of entities at different levels of Government (including numerous central public-sector enterprises), India has started to use an e-procurement portal for government procurement at the central level. Public procurement is considered an important government policy instrument and is used to achieve certain socio-economic objectives. As a result, the Government maintains reservations and price preferences as part of the procurement system. However, competition from foreign suppliers is ordinarily allowed.

23. Since its last Review, India has taken several initiatives to modernize its IPR administration and continue its efforts to enforce IPRs. The Copyright Act was amended, *inter alia*, to implement the 1996 WIPO Copyright Treaty and guidelines were issued on patents for biological materials, both in 2012. In March 2012, India issued its first and only compulsory licence (on certain anti-cancer medicine).

24. Improving productivity of agriculture has been among the Government's main policy objectives; the sector's contribution to GDP has remained around 18% since 2011, while it accounts for around 56% of the total workforce (including non-organized labour). The sector is also critical for achieving the Government's objectives of food security and price stability. Tariff protection and support accorded to this sector remains greater than to others. Average tariff protection for agriculture (36.4%) remains, therefore, substantially higher than for non-agricultural products (9.5%). India initiated a new support scheme through the National Food Security Act 2013, which aims to provide food grains procured by the Government at subsidized prices to around two-thirds of the population. This is likely to have a significant impact on the overall subsidy provided by the Government.

25. During the period under review, the share of manufacturing in GDP declined slightly, to around 13% of GDP. Against the background of low productivity in the sector, the Government issued a new manufacturing policy in 2011, which aims at increasing the sector's share in GDP to

25%. The Government also launched a "make in India" campaign in 2014 to strengthen the sector and attract investment.

26. The services sector, which accounts for more than half of India's GDP, is the main driver of economic growth. Regulatory changes were introduced (notably in financial services, telecommunications, and transport), such as the introduction of a scheme for setting up wholly-owned banks subsidiaries, raising foreign equity limit in insurance to 49%, amending the main securities legislation, adopting the National Telecom Policy 2012, and allowing FDI in railway transportation except in the operation of railways.