SUMMARY

1. India's economic growth continued to be strong for most of the period under review, averaging 7.4% until 2018/19. A number of reforms were implemented, including the introduction of the Goods and Services Tax (GST) to harmonize the indirect tax system; the Insolvency and Bankruptcy Code to address the problem of debt in the corporate sector; banking reforms to improve supervision of banks and non-banking financial companies; and, most recently, legislation to improve marketing and reduce regulation of agricultural products. Trade policy remained broadly unchanged during the period under review.

2. Since the first half of 2019, growth has been weaker, mainly due to lower consumption and investment, particularly private investment, with gross fixed capital formation growing by only 1% in fiscal year 2019/20. Recent cuts in the base corporate rate of tax, from 36% to 22%, and in personal income tax, were announced to boost investment and consumer spending. The authorities estimated that real GDP grew at around 5.1% during April-December 2019 but more recent estimates point to lower growth. The Government responded to the COVID-19 pandemic by announcing a number of short- and longer-term measures targeting certain sectors of the economy, as well as the rural and urban poor. With lower inflationary pressure due to lower international commodity prices and the impact of the pandemic, monetary policy was also accommodative during the period.

3. Strong economic growth also led to an improvement in socio-economic indicators, such as per-capita income and life expectancy. Economic inclusion policies were also enacted to ensure less rural distress, including through an increase in minimum support prices for agricultural products and the direct transfer of subsidies to farmers. The National Food Security Act aims furthermore to provide subsidized food to a large percentage of the rural and urban population. However, given India's continued need for better infrastructure, subsidies will need to be reduced and better targeted, to free up resources for investment.

4. Services remained the most robust sector during the period, growing at over 8% between 2014/15 and 2018/19. Agriculture, which is largely dependent on rainfall, also performed relatively well. However, manufacturing growth, except for certain industries, remained weak. Unemployment increased from an estimated 3.7% in 2015/16 to 6.1% in 2016/17, the latest year for which estimates are available, with urban unemployment higher than rural unemployment.

5. India's fiscal policy is framed within the Fiscal Responsibility and Management Act, 2003, which requires the budget deficit to be reduced to 3% of GDP by 31 March 2021, and general government debt to 60% of GDP by 2024/25. Although the fiscal deficit declined between 2014/15 and 2018/19, it overshot the target in 2019/20, mainly due to weaker-than-expected tax revenues. The introduction of the GST is expected to broaden the tax base, improve revenue collection, and reduce tax evasion. The deficits of state governments are also likely to be helped by rising state GST revenue, although there are downside risks, with almost half of the states budgeting above the required 3% threshold for 2019/20.

6. The current account deficit narrowed for much of the period under review. The services balance remained in surplus, while the deficit in merchandise trade narrowed, especially in 2019/20 as imports declined more rapidly than exports. The current account deficit continues to be financed by both foreign direct and portfolio investment which grew during the period under review, although portfolio investment has been volatile. The EU-28 and the United States remain India's main export markets, while most imports originate in China. Major exports and imports remain largely unchanged.

7. India is an original Member of the WTO and provides MFN treatment to all but one Member. India also ratified the Trade Facilitation Agreement (TFA) on 22 April 2016. It is a party to the WTO Information Technology Agreement (ITA), but not the expanded ITA. India is an observer to the WTO Agreement on Government Procurement (GPA). During the review period, India made a number of notifications to the WTO.

8. There have been no major changes regarding/to the formulation and implementation of trade policies since the last Review. Trade policy objectives are set out in the Foreign Trade Policy (FTP), which is issued every five years and is revised from time to time. The FTP aims to increase India's

share of global exports from 2.5% in 2015 to 3.5% in 2020. The export target is to be achieved through a number of incentives, such as the Merchandise Export from India and the Services Export from India Schemes. India also continues to make frequent changes to its trade policies and measures, through circulars and notifications, to address domestic concerns. India continued to liberalize its policies on FDI, further permitting FDI up to 100% without the need for prior government approval in an expanded list of agricultural activities; defence; broadcasting carriage services; telecommunications services and business-to-business electronic commerce; insurance intermediaries; and airports, other air services and non-scheduled air transport services.

9. During the period under review, India implemented several measures to facilitate trade, such as a reduction in the number of documents required, and the automation of the customs clearance system for imports and exports. Other trade-facilitation initiatives introduced since 2015 include: the electronic interface, the Indian Customs Electronic Gateway (ICEGATE); the Single Window Interface for Facilitation of Trade (SWIFT); the new authorised economic operators (AEO) programme; the Direct Port Delivery and the Direct Port Entry (DPE) facilities; and the increased use of the Risk Management System (RMS).

10. Trade policy remained largely unchanged since the previous Review. India continues to rely on trade policy instruments such as the tariff, export taxes, minimum import prices, import and export restrictions, and licensing. These are used to, inter alia, manage domestic demand and supply requirements, protect the economy from wide domestic price fluctuations, and ensure conservation and proper utilization of natural resources. As a result, frequent changes are made to tariff rates and other trade policy instruments, which creates uncertainty for traders.

11. The basic tariff structure remains unchanged since 2015. However, following the adoption of the GST in 2017, the additional duties and special additional duties previously added to the basic tariff were removed. The introduction of the GST has been a major change regarding other duties and charges affecting imports. The GST, which replaced several taxes, applies to both domestic and imported goods. The 10% social welfare charge, which applies only to imports, remains in place.

12. India uses both *ad valorem* and non-*ad valorem* tariff rates; in 2020/21, 93.9% of all tariff lines are subject to *ad valorem* rates. There are 725 tariff lines (6.1% of the total) subject to non-ad valorem rates; of these, 4 are subject to specific rates, and 721 (697 in 2015) have mixed duties (*ad valorem* and/or a specific duty component). Mixed duties continue to apply to textiles and clothing (714 tariff lines) and natural rubber products (7 lines).

13. The simple average applied MFN tariff increased from 13% in 2014/15 to 14.3% in 2020/21, and to 15.4% if *ad valorem* equivalents (AVEs) are considered. The increase in the average tariff reflects the changes in the distribution of tariff rates since the last Review in 2015, with a decrease in the percentage of lower-rate tariffs. As a result, while tariff rates continue to range from zero to 150% (considering only the *ad valorem* rates), the percentage of tariff lines with rates between 0% and 10% declined from 79.1% in 2015 to 67.8% in 2020/21. However, the percentage of tariff lines that bear rates higher than 10% and up to 30% increased from 12.1% (2014/15) to 21.3% (2019/20) to 22.1% in 2020/21, and those with rates above 30% rose from 2.8% (2014/15) to 4% in 2020/21. The most common tariff rates continue to be 10% (31.7% of all tariff lines) and 7.5% (24.4%). The highest rates, above 60%, apply to products such as alcoholic beverages (150%), followed by animals and their products; fruit, vegetables and plants; coffee and tea; and certain motor vehicles, all with tariffs of 100%.

14. India bound 75.3% of its Tariff Schedule. It bound 100% of the tariff lines related to agricultural products, at rates ranging from 10% to 300%, and 71.7% of the tariffs related to non-agricultural products, in general at lower tariff rates, ranging from 0% to 150%. The highest bound rates apply to oil seeds, fats, oils and their products.

15. The tariff treatment that India accords to certain goods in the information and communications technology sector is currently the subject of a dispute at the WTO.

16. India has MFN tariff rate quotas (TRQs) for skimmed milk and some types of cream, maize, and some oils. TRQs were also negotiated under the preferential agreements with Nepal and Sri Lanka. In general, there are no imports under TRQs.

17. India maintains import and export prohibitions and restrictions. Restrictions are imposed to: (i) protect human, animal and plant life or health; public morality; historical heritage; the environment; and intellectual property rights (IPRs); (ii) prevent the use of deceptive practices and the illegal trade of arms and ammunition; and (iii) comply with UN resolutions. In addition, India continues to use designated state trading enterprises (STEs) to import some agricultural products, fertilizers, and oil products, with the stated purpose of ensuring a fair return to farmers; safeguarding food security; managing the procurement of fertilizer for farmers; and implementing the domestic support price system for oil products. Since the last Review, some products, such as onions and sugar (under TRQ since 2019) have been removed from the list of exports subject to state trading and may currently be exported by any eligible exporter.

18. India continues to be an active user of anti-dumping measures; it is currently the main user of anti-dumping measures in the WTO. During 2015-19 (as at December 2019), India initiated 233 investigations, a sharp increase since 2011-14 (June) when the number of initiations stood at 82. Most of the investigations initiated during the review period relate to products originating in China, followed by those originating in the Republic of Korea and the EU-28. At end-2019, India had imposed 254 anti-dumping duties. These measures affected mainly chemicals and products thereof (40.6% of all measures). The average length of anti-dumping measures in force as at December 2019 was 5.9 years; however, 58 measures, which applied mainly to imports originating in China (45%), have been in place for more than 10 years. During 2015-20 (January), India initiated 20 countervailing investigations, and there were 11 measures in place. As in the case of anti-dumping duties, most of the measures applied to imports originating in China. India is also an active user of safeguard measures; as at June 2019, India had initiated 46 investigations (12% of all the safeguards investigations initiated by WTO Members). There is one safeguard measure in force.

19. To support both domestic production and exports, India continues to provide a number of incentives, in the form of direct subsidies and price support schemes, tariff concessions or exemptions, or preferential rates of interest. In addition, up to 40% of all bank lending must be allocated to "priority sectors", including agriculture, small and medium-sized enterprises, education, housing, social infrastructure, renewable energy, and exports. Preferences under government procurement are also provided to domestic companies.

20. In general, the programmes maintained to promote exports apply to all sectors. However, some are sector-specific, for instance those pertaining to agriculture. Most of these programmes did not undergo substantial changes since 2015; they provide for fiscal and financial incentives and marketing assistance. However, in 2015, the Export from India Scheme (EIS) was introduced. The EIS encompasses two schemes: the Merchandise Exports from India Scheme (MEIS), which replaced five schemes; and the Services Exports from India Scheme (SEIS). The number of products covered by the MEIS, and the budget allocated to it, increased during the review period. The MEIS is scheduled to end on 1 January 2021; it will be replaced by a new scheme to reimburse exporters for taxes, duties and levies which are not exempt or refunded under any other existing scheme.

21. Over the review period, India revised its standardization legislation; the Bureau of Indian Standards (BIS) Act, 1986 was replaced by the BIS Act, 2016. Under the new Act, standardization covers goods and was introduced for services, systems, and processes; and several new provisions were adopted, such as new types of conformity assessment schemes. The BIS is India's national standards body, which formulates standards in all sectors, except those stipulated in the Agricultural Produce (Grading and Marking) Act, 1937 and the Drugs and Cosmetics Act, 1940. Procedures to formulate and implement standards and technical regulations did not change significantly over the review period. Since 2015, some of India's technical regulations have been subject to specific trade concerns in the WTO Committee on Technical Barriers to Trade. Some products are subject to mandatory product certification. Product certification applies to both locally produced and imported goods. Regarding SPS, according to the notifications submitted to the WTO, SPS measures comply with, or are based on, relevant international standards, and they mostly apply to all Members. India took one emergency measure that applies to all trading partners. During the review period, Members raised seven concerns, of which two were resolved.

22. Government procurement in India remains decentralized, and is subject to multiple regulations, including sector-specific provisions and procurement provisions enacted by the states. The General Financial Rules (GFRs) that apply to all sectors is the main piece of legislation regulating government procurement. Over the review period, the GFRs were amended several times, inter alia, to introduce new procurement methods and enforce the use of electronic procurement. During the

2015-20 period, India maintained sector-specific reservations and preferences in public procurement, and others that apply specifically to micro and small enterprises. In 2017, additional preferences for locally-produced goods were introduced under the Make in India initiative. India remains an Observer to the WTO Government Procurement Agreement.

23. Competition is regulated by the Competition Act, 2002 that, with some exceptions, applies to all economic operators and sectors; there are also sector-specific provisions. Some changes adopted over the review period include: the adoption of leniency provisions regarding cartels; the simplification of the procedure to file a combination (mergers); the suspension of the deadline to notify a combination (in 2017); and the introduction of automatic approval for combinations that do not require an exhaustive assessment (in 2019). India continues to apply exceptions to the requirement to notify certain combinations.

24. India continues to maintain price controls, especially for agricultural products under various mechanisms. Retail prices of other products, such as LPG cylinders, natural gas, fertilizer, and drugs, are also controlled. Price controls are in place mainly to support the agricultural sector, ensure food security, and reduce poverty.

25. In 2016, India issued its first National Intellectual Property Rights (NIPR) Policy. It is aimed at creating national awareness of the importance of IPR protection through training and outreach and offers financial support and fiscal incentives to encourage IPR generation and commercialization, including a fee rebate of up to 80% on patent fees for start-ups. There have also been changes to the institutional framework regarding intellectual property. Since 2016, all IPRs, except for the protection of plant varieties, fall under the Department for Promotion of Industry and Internal Trade; this has become the single nodal agency for IPR. Plant variety protection continues to be administered by the Department of Agriculture, Cooperation and Farmers' Welfare. Since 2015, India has implemented various IPR enforcement measures, such as the establishment of commercial courts to expedite IPR-related court proceedings. However, since 2018, Customs is no longer allowed to seize infringing imports suo motu; therefore, at present, a court injunction is required to protect patent rights against infringement at the border.

26. While agriculture accounts for 16% of GDP, its share of total employment is over 40%. India continues to regulate imports and exports, as well as domestic prices, to meet its food security goals. Import and export restrictions, TRQs, state trading, and minimum import prices are used at the border. The Government provides support, both direct and indirect, to farmers, including for inputs such as water, electricity, seeds and fertilizers; minimum support prices; and marketing and transport. Under the National Food Security Act (NFSA), food grains are provided at subsidized prices to households identified by the states as having priority; under the Act, subsidized food is to be provided to 75% of the rural population and 50% of the urban population. The Government's subsidy for food accounts for almost half of its explicit subsidies, and the subsidy for fertilizers accounts for another third.

27. During the period under review, various reforms took place. Under the Agricultural Export Policy, processed and organic agricultural products are not subject to export restrictions, and imports of agricultural products that are used for such exports were to be liberalized. The Government has also gradually been increasing direct payments to farmers, as is the case under the Price Deficiency Payment Scheme, which benefits oilseed producers. Under this Scheme, if prices fall below the minimum support price, the difference between the market price and the minimum support price is paid directly to registered farmers. Cash transfers for purchasing food provided under the NFSA are also being provided on a trial basis in some union territories. In 2020, the Essential Commodities Act was amended to ensure that the supply of certain agricultural products may only be regulated in exceptional circumstances. Efforts have also been made to improve the marketing of agricultural products, including through the introduction of an electronic National Agricultural Market (e-NAM) in 2016, which aims to unify the markets across the states. In 2020, further marketing reforms took place to guarantee freedom to farmers to conduct intra- or inter-state trade, and to encourage contract farming between farmers and agri-business.

28. Over the review period, India's policies regarding the electricity sector were aimed at ensuring access to reliable and affordable services and at diversifying energy sources. To this end, various incentives were granted to expand the distribution network and to promote the use of renewables. As a result, the share of renewable energy sources (mainly solar and wind) to generate electricity increased from 14.6% in 2015 to 23.7% in 2020. However, coal is still India's main source of power

generation. India continues to provide cross-subsidies regarding retail tariffs; tariffs for consumers below the poverty line and small households are subsidized; and electricity for the agricultural sector is free/unmetered. The distribution companies, which are mainly owned by the states, continued to face severe financial difficulties, due to the under-pricing of electricity which, in turn, hampers their ability to offer a reliable power supply. In 2015, a voluntary scheme was put in place to address the companies' poor financial condition, with the states taking over a percentage of the companies' debt. As a result of the COVID-19 pandemic, consumers were allowed to defer payment of their electricity bills.

29. The share of the manufacturing sector in India's GDP decreased from 16.3% in 2014/2015 to 15.1% in 2019/2020. Sectors that play an important role in merchandise trade include textiles and clothing, which accounts for 2% of GDP, and 11.4% of merchandise exports, and employs around 45 million people; and automobiles, with around 7% of GDP, and 8.0% of merchandise exports. India has run a deficit in its balance of trade in manufactured goods during the review period, with growth in imports outstripping that of exports. India continues to implement the National Manufacturing Policy (NMP) aimed at increasing the share of manufacturing in GDP to 25% by 2022. Provisions under the NMP include programmes to develop skills, facilitate financing for SMEs, increase demand for manufacturing and infrastructure through government procurement. The Make in India programme was launched in 2014, to attract investment to achieve the 25%-of-GDP target by 2022.

30. Services accounted for around 54% of India's GDP in 2018/19 an increase since 2014/15 when their share stood at some 52%. The sector contributes almost 70% to India's GDP growth. The services sector is the largest recipient of FDI. India ran a surplus in its services trade of around 3% of GDP, for most of the period under review.

31. Following consolidation, the number of public sector banks (PSBs) fell to 12 in 2020; however, with around 70% of total assets, they continue to dominate the sector. The remaining assets are distributed between 22 private banks, 46 foreign banks, a large number of rural, urban and cooperative banks, and non-banking financial companies (NBFCs). The sector continues to be regulated by the Reserve Bank of India (RBI), using a risk-based framework. During the period under review, commercial banks remained well-capitalized, although for several years non-performing assets (NPAs) remained high, rising to over 11% of gross advances in 2018 before falling to 9% by 2020. NPAs also increased in NBFCs, and the RBI issued new guidelines in 2019 to improve supervision of the latter. The RBI Act, 1934 was also amended in 2019, to address governance issues. The Government's Indradhanush Plan funding, to support PSBs, also aims to address governance issues.

32. To encourage financial inclusion, the Pradhan Mantri Jan Dhan Yojana (PMJDY) Scheme was launched in August 2014, to enable the unbanked to open bank accounts, to directly receive salaries, subsidies, remittances and other payments. In addition, all banks are required to provide 40% of their lending to priority sectors; this target was extended to all foreign banks with 20 or more branches by March 2018 and those with less than 20 branches by March 2020. In light of the deteriorating economic environment due to the COVID-19 pandemic, a number of steps were taken in 2020 to provide temporary relief to borrowers and enhance liquidity support for financial markets and other stakeholders. They include: a special refinance facility of INR 650 billion for the National Bank for Agriculture and Rural Development (NABARD), the Small Industries Development Bank of India (SIDBI), the National Housing Bank (NHB), and the EXIM Bank, to enable them to continue funding activities as required.

33. There were no significant changes in the insurance sector, which continues to be dominated by public-sector companies, especially for life insurance. Insurance penetration continues to be low, and a number of schemes were launched to bring insurance to a greater share of the population. There were a few changes in FDI policy in this sector. FDI of up to 49% (up from 26%) is permitted automatically in insurance companies, and up to 100% in insurance intermediation services. In addition, foreign re-insurers may open branches in India up to the 49% FDI limit. As for banking, since 2015, insurance providers are required to write a certain amount of their insurance in specific sectors.

34. The telecommunication market remains highly concentrated. The state-owned companies (Bharat Sanchar Nigam Ltd. (BSNL) and Mahanagar Telephone Nigam Ltd. (MTNL)) remain the main providers of fixed telecom services and, even though a new private supplier entered the mobile

telecommunications market in 2016, the merger of two private operators was approved in 2017 to create India's biggest telecom company. Tariffs are regulated for fixed services in rural areas and national roaming services. Over the 2015-20 period, to increase teledensity, India adopted various regulatory measures in the sector, to expand the mobile telecom network throughout its territory, such as easing procedures to obtain right-of-way permits, allowing companies to share their active infrastructure, and introducing new provisions to improve interconnection. In 2018, India approved net-neutrality rules. Several connectivity projects are also in place, including India's largest rural broadband connectivity project. Initiatives to enhance digital literacy were also introduced, such as the 2015 Digital India Initiative to introduce the Government's digital platform. During the COVID 19 lockdown, telecom services were included in the list of essential services that had to remain operational. As a result, technical and commercial measures were taken by the operators to ensure unbroken network connectivity and uninterrupted services as the use of mobile services increased massively. For instance, the validity period for prepaid cards was extended; and download speed and Internet quality were reduced to prevent network congestion.

35. Since 2015, air transport services have been further opened to FDI, but cabotage is still reserved for national air carriers. During the review period, several initiatives were implemented to improve air connectivity, and to relax certain conditions imposed on Indian air carriers regarding operating international routes. Measures were also put in place to promote the maintenance, repair, and overhaul of aircraft in India. Regarding maritime transport, over 2015-18, India relaxed cabotage for specialized vessels, container traffic, and certain commodities, to encourage a shift from road/rail to coastal shipping. Incentives were introduced to promote ship-building in India. Since 2016, port infrastructure has been extended and upgraded, with a view to facilitating trade. As a result of COVID-19, major ports deferred the payment of various port charges, and offered storage capacity free of charge to help operators. Private port operators were also offered deferred payments of charges and royalties.

36. During 2015-20, initiatives to further expand tourism included the diversification of tourism related products and markets, enhanced facilities (e.g. e-visa), and better air connectivity. Foreigners may provide any type of tourism-related services in India, except tourist guide services. Financial support is granted by the Central Government to develop tourism-related infrastructure and products, and for marketing.