

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY
DEPARTMENT OF COMMERCE

LOK SABHA
STARRED QUESTION NO. 426
ANSWERED ON 01/04/2025

IMPACT OF TARIFF REDUCTIONS

***426. DR. KIRSAN NAMDEO**
SHRI K SUDHAKARAN

Will the Minister of **COMMERCE AND INDUSTRY** (वाणिज्य एवं उद्योग मंत्री) be pleased to state:

- (a) whether the Government is aware of the recent statement of NITI Aayog that tariff protections do not benefit India and reducing tariffs is necessary for economic growth, if so, the details thereof;
- (b) the details of tariff reductions implemented by the Government during the last three years, sector-wise;
- (c) the details of tariff increases implemented by the Government during the said period sector-wise; and;
- (d) the details of impact of these tariff reductions on domestic manufacturing and international trade competitiveness?

ANSWER

वाणिज्य एवं उद्योग मंत्रालय में मंत्री
(श्री पीयूष गोयल)

THE MINISTER IN THE MINISTRY OF COMMERCE AND INDUSTRY
(SHRI PIYUSH GOYAL)

(a) to (d) A statement is laid on the Table of the House.

**STATEMENT REFERRED TO IN REPLY OF PART (a) to (d) OF LOK SABHA
STARRED QUESTION NO. 426 FOR ANSWER ON 1ST APRIL, 2025 REGARDING
“IMPACT OF TARIFF REDUCTIONS”**

(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 aims to regulate 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 13 FTAs and 9 PTAs apart from the negotiations with European Union (EU), United States of America (USA), United Kingdom (UK), Oman, New Zealand and Peru.

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.
