

Decoding India's Quality Control Orders

PRERNA PRABHAKAR

Trade policies have taken centre stage in shaping global economic relations in recent years and are marked by a growing trend of protection. Trade protection is no longer limited to tariffs, and Non-Tariff Measures (NTMs) such as labelling and certification requirements have become increasingly prominent in shaping market access. While global tariff levels have generally declined over the years, there has been a simultaneous rise in the use of NTMs across the globe.

In India's case, a notable trend is the sharp increase in Quality Control Orders (QCOs), which fall under the ambit of NTMs. Since 2019, the number of QCOs has surged from 88 to 765 by 2024—a more than eightfold increase—and the upward trend continues. As of August 2025, an additional 100 QCOs are in the pipeline (Bureau of Indian Standards [BIS], n.d.). This paper examines the impact of QCOs on India's exports and imports for the affected products.

QCOs have been introduced to build a robust manufacturing ecosystem and ensure the quality of both domestically manufactured and imported products. However, their rapid and widespread implementation has created unintended economic consequences, particularly for trade and industrial competitiveness. These include:

- Stakeholders note that QCOs are increasingly being used to address price differences between Indian and foreign products, rather than being strictly applied for legitimate quality concerns.
- Risks to India's supply chain integration, especially where QCOs target imported intermediate goods without adequate domestic alternatives.
- Compliance burdens on smaller firms, which face significant challenges in meeting certification and testing requirements.
- Worsening market concentration, as sectors already dominated by a few large players are subject to more QCOs.

While there has been considerable discussion around the potential impacts of QCOs on India's trade, there remains a lack of empirical research to assess these effects. In this regard, this paper makes three key contributions:

Database Creation: It systematically maps Harmonised System (HS) codes to existing QCOs, creating a comprehensive list of unique HS six-digit codes impacted by these QCOs.



- **Econometric Regression:** Using this database, the paper employs econometric regression techniques to estimate the impact of QCOs on India's exports and imports, while controlling for other factors that may influence trade flows.
- **Industry Stakeholder Discussion:** To capture the practical nuances of QCO implementation and its effects on domestic manufacturing and trade, the paper draws on insights from industry stakeholder consultations. These discussions highlight critical challenges and operational issues faced by businesses in complying with QCOs.

Descriptive Insights

Based on the curated QCOs database, preliminary data analysis was conducted to identify emerging trends and patterns. The key insights from this analysis are as follows:

- A sharp increase in QCOs occurred after 2019, with the majority affecting intermediate goods (45.7 per cent), followed by consumer and capital goods.
- The top five sectors impacted by QCOs are: metals, machinery, and electronics, textiles, chemicals, and plastics and rubber.
- Some of these sectors also show high levels of firm concentration, raising concerns about competitive distortions.
- Tariff increases have accompanied QCO notifications in many sectors, suggesting a broader protectionist trend.
- Initial data show a decline in both exports and imports in most QCO-affected product lines.

Econometric Evidence

An econometric exercise was undertaken to understand the causal impact of QCOs on India's trade flows, and the key findings are highlighted below.

- Imports fall by 13 per cent in the year after QCO notification, and by 24 per cent over the long term.
- Exports initially rise by 10.6 per cent in the first year, but decline by 12.8 per cent in the second year, with no long-term export gains observed.
- Intermediate goods face the steepest decline: QCOs lead to a 16 per cent reduction in imports in the year of notification and a 17.5 per cent decline in the subsequent year, and by 30 per cent over the long term.
- Overall, QCOs suppress imports—especially of intermediate inputs critical to domestic production—without improving export performance, challenging their efficacy in boosting competitiveness.

Table ES-1: Key Findings From Econometric Analysis

Category	Year of QCO Notification (Per Cent)	Year After Notification (Per Cent)	Long-Term Impact (Per Cent)
Overall Imports	—	↓ 13	↓ 24
Overall Exports	↑ 10.6	↓ 12.8	No significant impact
Intermediate Goods Imports	↓ 16	↓ 17.5	↓ 30

Source: Author's analysis

Note: ↑ indicates a statistically significant increase; ↓ indicates a statistically significant decline.

Industry Stakeholder Discussion

Engagements with industry stakeholders, particularly small and medium enterprises (SMEs), revealed several practical challenges in the implementation of QCOs.

- Stakeholders reported that Micro, Small, and Medium Enterprises (MSMEs) face disproportionate compliance burdens, including certification costs of ₹10,000–₹15,000 per consignment and long delays in approvals—especially for foreign suppliers.
- Limited domestic alternatives for critical inputs (e.g., cold-rolled grain-oriented (CRGO) steel) have caused production bottlenecks.
- Lack of harmonisation with international standards and inadequate testing infrastructure worsen trade friction.
- Larger firms are better able to absorb compliance costs, sometimes benefiting from the exclusion of smaller competitors.

Policy Recommendations

The analysis of the curated QCO database—examining trends and their impact on India's trade flows—highlights the challenges associated with QCOs, which were originally intended to ensure the quality of production in India. Industry consultations brought out key nuances that helped contextualise the data patterns and interpret the results of the econometric regressions more effectively. To mitigate these challenges, several policy recommendations have been proposed:

- **Clear Product Identification:** QCO notifications should specify the corresponding HS codes to reduce compliance delays and operational confusion. Since these orders are issued by various line ministries, each ministry must indicate the impacted HS codes. The BIS should then consolidate this information into a single database that can be accessed by producers to understand and prepare for the compliance requirements arising from these QCOs.

- **Criteria for QCO Application:** Exemptions should be considered for products not manufactured domestically or produced in insufficient quantities to prevent supply chain disruptions. The imposition of QCOs should be strictly driven by genuine quality considerations—such as the protection of human, animal, or plant health, and environmental safety—not as a means to address dumping or trade imbalances, for which duties and trade remedies already exist.
- **Streamline Compliance:** Aligning BIS standards with international norms, establishing dedicated BIS task forces for MSME support, implementing digital verification and port-based quality checks, and facilitating timely inspections can streamline the certification process. It is also recommended that QCOs be implemented in a phased manner, allowing sufficient time for firms, especially MSMEs, to adapt to the compliance requirements.
- **Identifying Anti-competitive Practices:** The Competition Commission of India (CCI) should closely monitor QCO-impacted sectors, specifically those with high firm concentration, through market share and price trend analysis. The CCI should also consider having a grievance redressal mechanism for MSMEs, which can help identify and address emerging anti-competitive practices.

QCOs are essential for enhancing product quality, ensuring consumer safety, and aligning Indian manufacturing with global standards. However, their implementation must be carefully calibrated to avoid unintended protectionist consequences and to support the competitiveness of India's manufacturing sector. Particularly for the MSME sector, a phased approach to QCO implementation is crucial to facilitate adaptation to these regulations. It is essential to strike a balance between enforcing quality standards and ensuring sufficient product availability in the market at competitive prices, to prevent disruptions in supply chains and delivery delays, which can hinder India's participation in Global Value Chains (GVCs).

About the author



Prerna Prabhakar is an Associate Fellow at the Centre for Social and Economic Progress (CSEP). Prerna's research primarily focuses on trade and industrial policies, and competitiveness. Prior to joining CSEP, she worked with the Council on Energy Environment and Water (CEEW) where she focused on understanding the linkages between sustainability and international trade. Prerna has also worked with the National Council of Applied Economic Research (NCAER) on external sector issues, investment potential for Indian States/Union Territories as well as land policy matters. She has also worked on research projects with the University of Delhi, South Asian Network for Development and Environmental Economics (SANDEE), Research and Information System for Developing Countries (RIS) and Centre for WTO Studies at the Indian Institute of Foreign Trade (IIFT).

She has completed her PhD from the Department of Business Economics, University of Delhi. She has a postgraduate degree in Economics from TERI School of Advanced Studies (TSAS). She has published her research in Indian and international journals including *Environmental Economics and Policy Studies*. She regularly contributes opinion pieces to leading newspapers.

Independence | Integrity | Impact

Centre for Social and Economic Progress

6, Dr Jose P. Rizal Marg, Chanakyapuri, New Delhi - 110021, India



Centre for Social and
Economic Progress



@CSEP_Org



www.csep.org