Assessing India's Trade Performance

## Pathways to Strategic and Deeper Integration with Global Value Chains

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Why this paper ?

- India remains highly protected among Asian economies, with an average MFN tariff rate of about 17.6%.

- Import tariffs have increased since 2018, alongside a sharp rise in Quality Control Orders (QCOs) and continued use of anti-dumping duties (ADDs).

- Such measures may undermine firms' ability to integrate into global value chains (GVCs) by increasing input costs and compliance burdens.

- To realise export-led manufacturing growth, India must re-examine trade policies and liberalise imports of essential inputs to support deeper GVC integration

- This paper provides evidence-based insights and actionable recommendations to make India's trade and industrial policies more aligned and conducive to manufacturing competitiveness

Centre for Social and Economic Progress

CSEP

Independence | Integrity | Impact

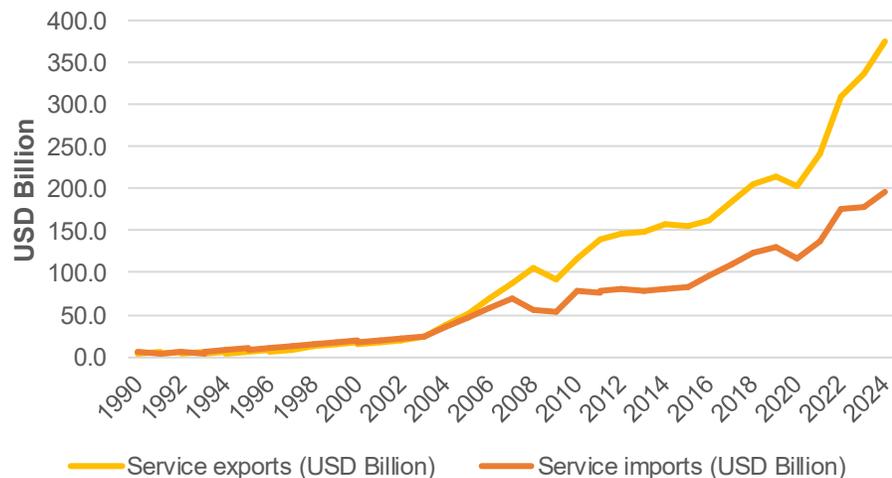# Trends in India's Trade, Tariffs and FDI Inflows

Simple Average MFN Tariff (%)
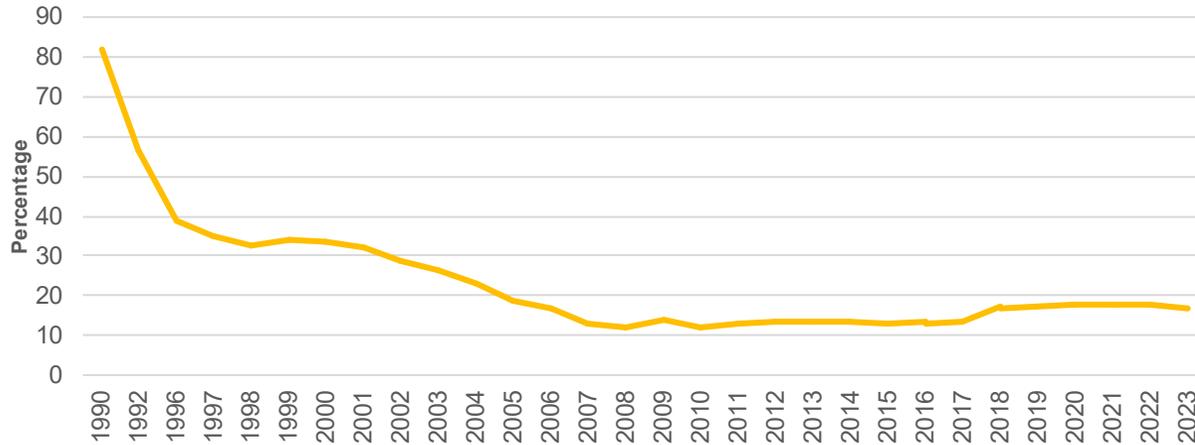
Net FDI Inflows
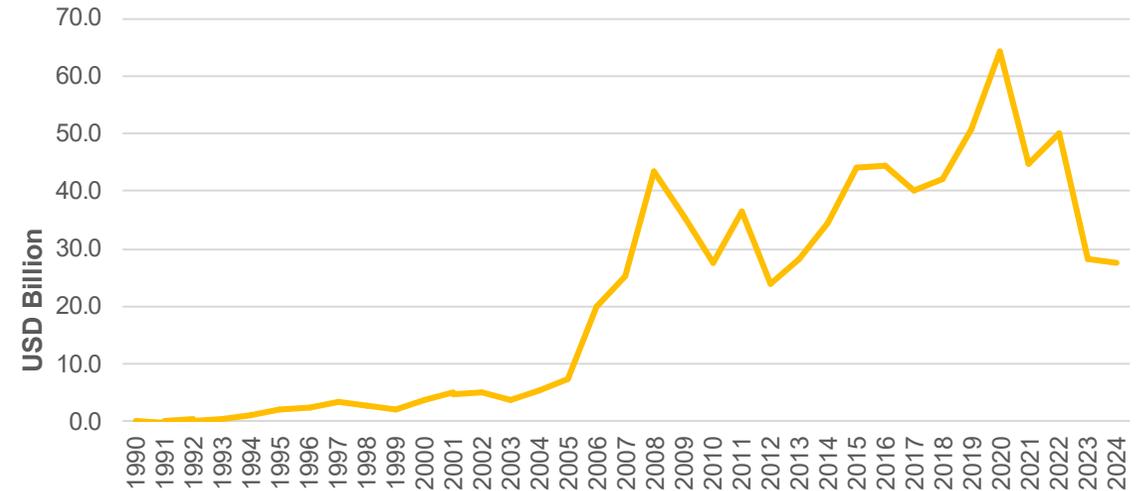
Services Exports & Imports

Merchandise Exports & Imports

Source: WDI and WITS, World Bank.

Challenges to India's competitiveness (1)

Share in Global Merchandise Exports (Per cent)

Country	2001	2011	2023
China	4.6	11.1	15.5
India	0.8	1.8	2
Indonesia	1	1.2	1.2
Japan	7	4.9	3.3
South Korea	2.6	3.3	2.9
Malaysia	1.6	1.4	1.5
Thailand	1.2	1.4	1.4
Vietnam	0.3	0.6	1.7

Competitiveness Index Rankings

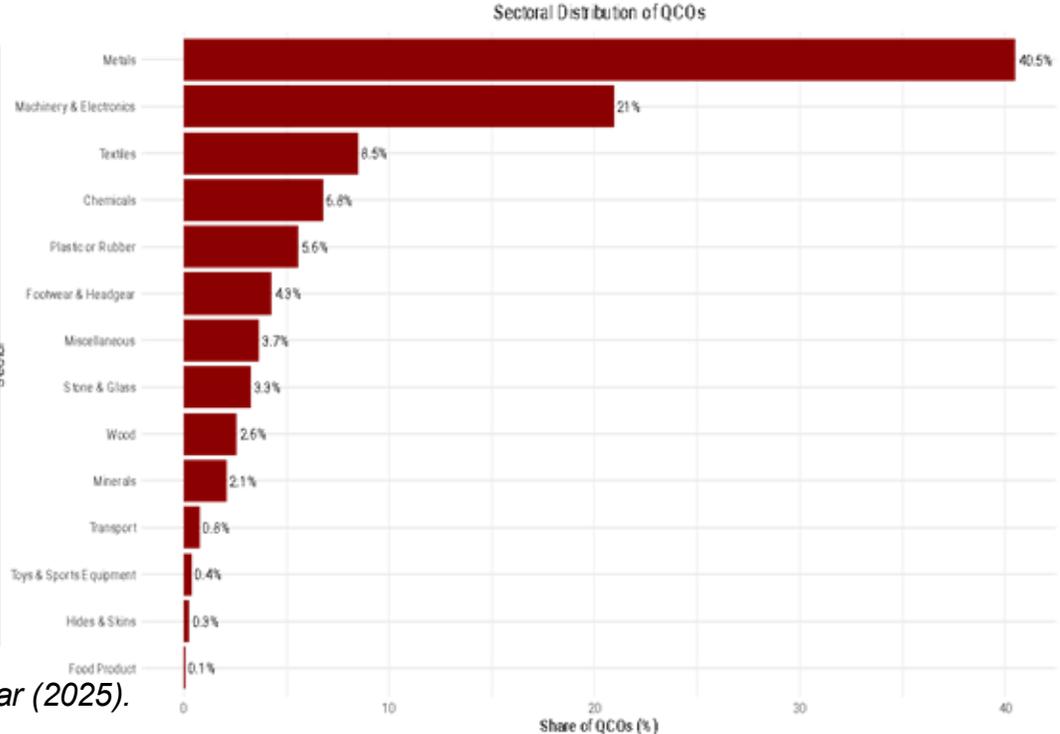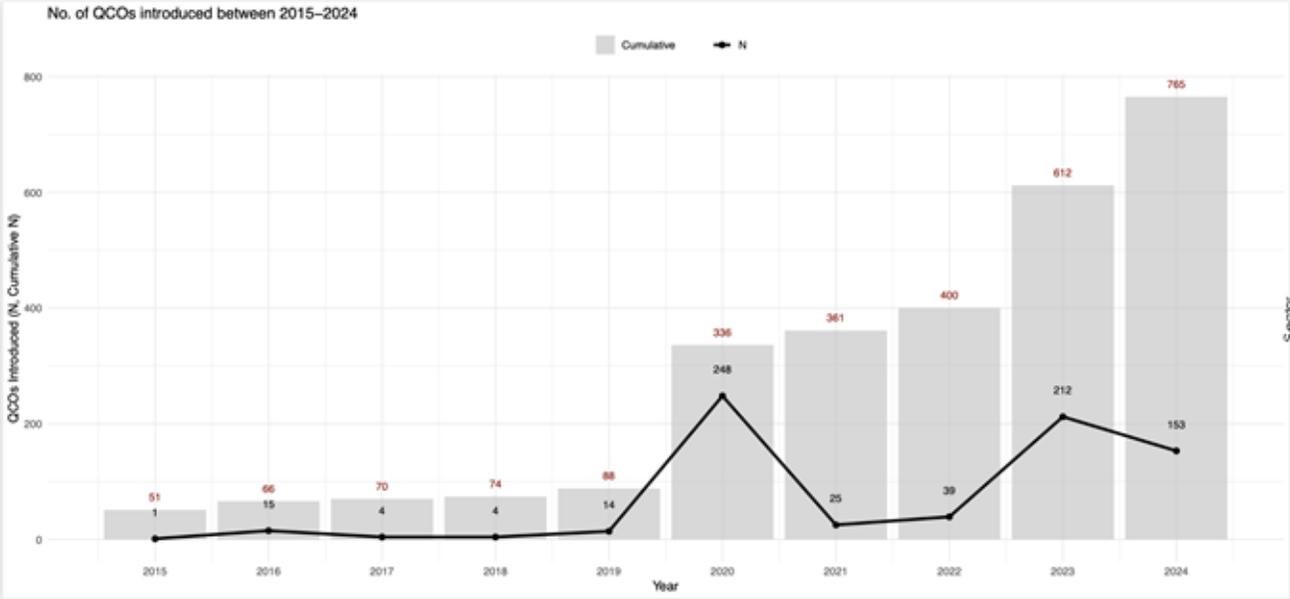*Source: World Integrated Trade Solutions; World Bank*

Source: Prabhakar et al. (2025).

Challenges to India's competitiveness (2): NTMs

No. of QCOs introduced between 2015–2024

Sectoral Distribution of QCOs

- Metals — 40.5%
- Machinery & Electronics — 21%
- Textiles — 8.5%
- Chemicals — 6.8%
- Plastic or Rubber — 5.6%
- Footwear & Headgear — 4.3%
- Miscellaneous — 3.7%
- Stone & Glass — 3.3%
- Wood — 2.6%
- Minerals — 2.1%
- Transport — 0.8%
- Toys & Sports Equipment — 0.4%
- Hides & Skins — 0.3%
- Food Product — 0.1%

Source: Prabhakar (2025).

Concluded Anti Dumping Cases by India

Percentage of Total Anti-Dumping Duty Initiations by Exporter Country (1995–2024) (%)

- China — 27.0
- Korea,... — 7.2
- Europea... — 6.6
- Chinese... — 6.1
- Thailand — 5.8
- United... — 4.5
- Japan — 4.1
- Indonesia — 3.9
- Malaysia — 3.7
- Russian... — 3.2
- Singapore — 3.1
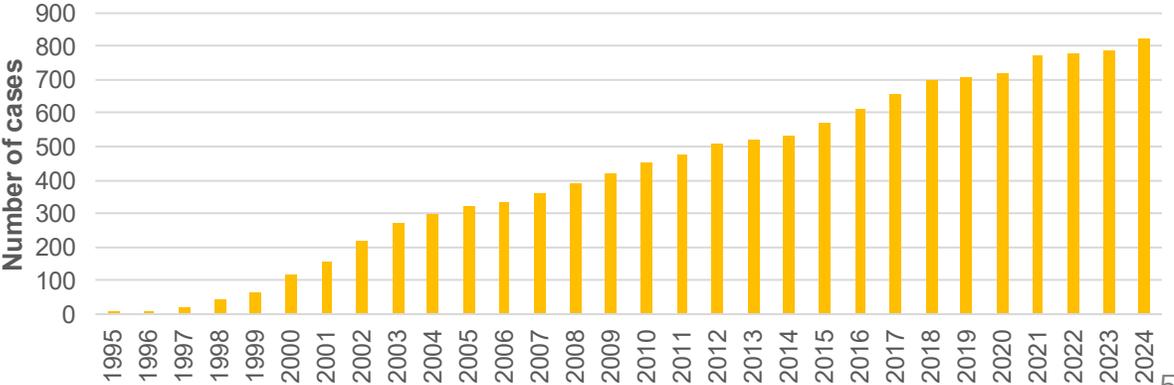
Exporters to India

Source: World Trade Organization

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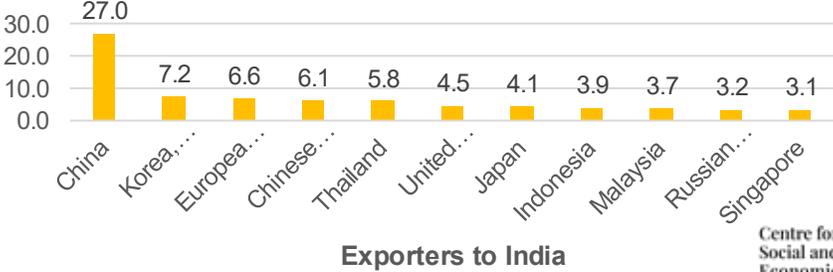
Challenges to India's competitiveness (4)- The China Question
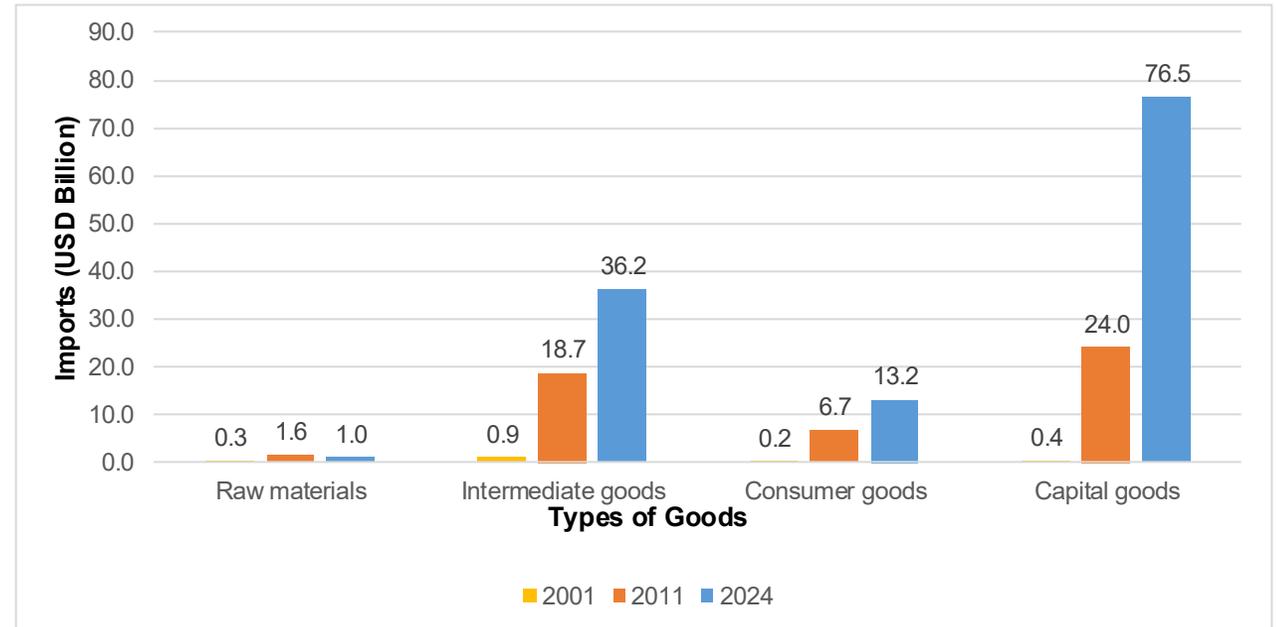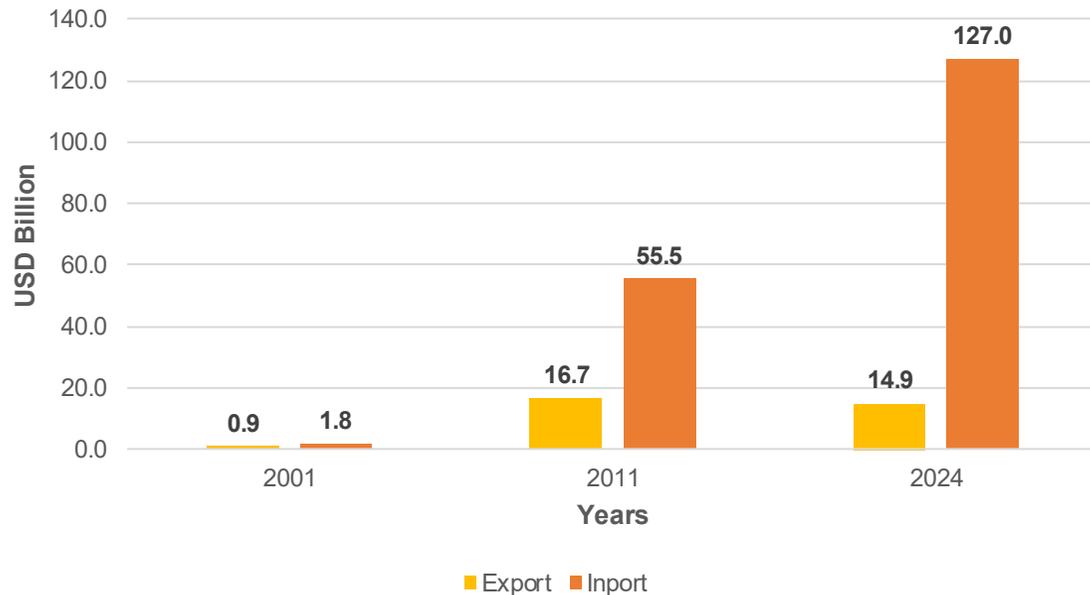
Source: World Integrated Trade Solutions; World Bank.

Challenges to India's competitiveness (3)- Industrial Policies

Category	CAGR 2017–2021 (%)	CAGR 2021–2024 (%)
Man-Made Fabric exports	3.5	-13.4
Pharma exports	10.7	7.5
Medical devices exports	12.6	8.2
White goods exports	13.8	13
Mobile and electronics exports	39.6	40
Speciality steel exports	13.1	-22
Auto exports	0.9	7
Solar PV exports	7.7	45.1
ACC exports	22.1	13.3

Source: Authors' analysis.

Let's Talk about some Success Stories

India's participation in East Asian machinery production networks: Trade matrix and gravity exercise

- The machinery industries have been at the center of East Asian production networks in its extensiveness and sophistication, leading the task-by-task international division of labour.

- India has so far lagged behind in taking part in East Asian machinery production networks. However, in the past several years, some notable changes are observed.

- The following simple analysis is based on international trade matrices for machinery trade (HS 84-92) in which exporting countries/regions are in rows and importing countries/regions are in columns.

- In addition to "actual (A)" bilateral trade values, the trade matrices for year 2017 and 2023 present "predicted (B)" bilateral trade values that are drawn from each year's gravity equation estimation for the world trade; (B) can be interpreted as a sort of "world standard" trade values after controlling economic size of exporting and importing countries, bilateral distance, and others. Gap ratios, i.e., (A)/(B), are also shown in percentage; 100% means "world standard" level of trade.

Machinery international trade matrix (2017, 2023): the world table (US $ millions, %)

(a) 2017

- Northeast Asian economies and ASEAN as well as Mexico participate in machinery production networks deeply. Gap ratios ((A)/(B)) in exports to the world by these countries go way beyond 100%. ASEAN connected with Northeast Asia and ASEAN itself for both exports and imports. "Factory Asia" is there.

- India lags behind in participating in machinery production networks with low Gap ratios ((A)/(B)), particularly on the export side.

Exporter/Importer	Value (millions US$, %)	China	Japan	Korea	Taiwan	ASEAN	United States	Mexico	EU	India	Rest of the world	Total (World)
China	Actual (A)	210,624	84,756	53,448	32,576	141,482	281,712	48,455	261,780	44,887	270,550	1,430,271
	Predicted (B)	70,864	149,215	80,914	38,477	81,946	144,159	10,132	180,024	49,187	260,620	1,065,538
	(A)/(B) (%)	297	57	66	85	173	195	478	145	91	104	134
Japan	Actual (A)	119,920		29,936	23,469	64,765	112,251	11,981	69,285	5,470	88,015	525,094
	Predicted (B)	91,552		25,303	7,063	21,246	58,023	4,201	65,178	7,856	84,779	365,201
	(A)/(B) (%)	131		118	332	305	193	285	106	70	104	144
Korea	Actual (A)	127,181	10,055		9,052	51,844	49,482	8,811	43,944	6,443	71,223	378,037
	Predicted (B)	55,309	28,511		6,014	8,689	20,118	1,446	24,763	3,405	32,131	180,386
	(A)/(B) (%)	230	35		151	597	246	609	177	189	222	210
Taiwan	Actual (A)	109,105	15,043	14,638		43,370	26,651	4,246	23,614	1,516	14,828	253,011
	Predicted (B)	23,762	7,028	5,311		4,407	7,265	518	9,042	1,348	12,320	71,001
	(A)/(B) (%)	459	214	276		984	367	820	261	112	120	356
ASEAN	Actual (A)	165,841	36,746	21,623	15,627	116,544	83,842	16,741	86,864	11,656	81,379	636,862
	Predicted (B)	43,051	17,121	6,205	3,647	33,736	26,660	1,825	35,649	7,608	53,604	229,106
	(A)/(B) (%)	385	215	348	429	345	314	917	244	153	152	278
United States	Actual (A)	82,789	27,888	23,971	16,741	47,142		97,049	147,787	8,128	249,685	701,180
	Predicted (B)	85,623	55,638	17,121	7,001	32,153		51,750	245,682	15,791	462,985	973,743
	(A)/(B) (%)	97	50	140	239	147		188	60	51	54	72
Mexico	Actual (A)	6,605	2,550	1,394	375	2,748	217,059		17,132	796	35,382	284,041
	Predicted (B)	5,484	3,666	1,120	454	2,029	47,098		10,234	980	17,101	88,166
	(A)/(B) (%)	120	70	124	83	135	461		167	81	207	322
EU	Actual (A)	157,167	32,328	32,807	14,725	61,456	208,349	26,347	1,357,001	21,942	437,040	2,349,162
	Predicted (B)	120,918	70,446	23,765	9,816	48,814	279,587	12,724	1,205,083	30,314	575,913	2,377,380
	(A)/(B) (%)	130	46	138	150	126	75	207	113	72	76	99
India	Actual (A)	1,921	661	479	257	6,712	6,348	2,842	11,410		23,717	54,347
	Predicted (B)	54,443	14,022	5,393	2,419	18,354	29,393	2,004	50,483		90,033	266,544
	(A)/(B) (%)	4	5	9	11	37	22	142	23		26	20
Rest of the world	Actual (A)	28,976	7,617	5,488	2,156	13,544	141,124	8,117	143,757	5,685	159,089	515,553
	Predicted (B)	114,390	56,352	19,142	8,189	44,837	454,328	13,615	396,218	36,375	367,044	1,510,491
	(A)/(B) (%)	25	14	29	26	30	31	60	36	16	43	34
Total (World)	Actual (A)	1,010,130	217,643	183,784	114,978	549,608	1,126,818	224,591	2,162,573	106,523	1,430,909	7,127,558
	Predicted (B)	665,399	401,998	184,273	83,081	296,211	1,066,631	98,215	2,222,357	152,863	1,956,531	7,127,558
	(A)/(B) (%)	152	54	100	138	186	106	229	97	70	73	100

Sources: Data drown from Ando, Yamanouchi, and Kimura (2025).

Machinery international trade matrix (2017, 2023): the world table (US $ millions, %)
(b) 2023

- Changes from 2017 to 2023 reflect effects of Trump 1.0 tariffs and rising geopolitical tensions.
  - Sharp drop of the US-China bilateral trade
  - Positive trade diversion effects for Korea, Taiwan, and ASEAN.
- India starts changing. Although the export side moves slowly, the import side shows notable increases.

Exporter/Importer	Value (millions US$, %)	China	Japan	Korea	Taiwan	ASEAN	United States	Mexico	EU	India	Rest of the world	Total (World)
China	Actual (A)	207,295	92,706	76,630	48,771	243,384	239,376	65,497	421,799	75,215	507,138	1,977,810
	Predicted (B)	76,250	127,801	87,656	46,569	106,876	213,018	15,643	259,452	65,113	355,721	1,354,100
	(A)/(B) (%)	272	73	87	105	228	112	419	163	116	143	146
Japan	Actual (A)	103,080		19,660	24,949	60,275	113,101	11,212	71,954	8,240	93,607	506,079
	Predicted (B)	78,636		16,794	5,858	17,454	52,071	3,928	57,294	6,227	69,999	308,262
	(A)/(B) (%)	131		117	426	345	217	285	126	132	134	164
Korea	Actual (A)	131,931	8,159		21,645	35,431	81,704	12,218	51,833	8,696	42,455	394,072
	Predicted (B)	57,790	18,161		6,359	8,827	22,669	1,693	27,175	3,330	33,128	179,131
	(A)/(B) (%)	228	45		340	401	360	722	191	261	128	220
Taiwan	Actual (A)	128,360	24,968	15,017		67,899	65,149	7,549	39,462	5,282	16,523	370,209
	Predicted (B)	27,849	5,641	5,662		5,284	10,068	748	12,210	1,623	15,583	84,666
	(A)/(B) (%)	461	443	265		1,285	647	1,009	323	326	106	437
ASEAN	Actual (A)	224,810	43,839	23,891	22,999	144,268	167,390	23,808	104,983	17,759	109,056	882,802
	Predicted (B)	64,829	15,916	7,435	5,203	45,772	41,147	3,000	54,130	10,054	75,771	323,257
	(A)/(B) (%)	347	275	321	442	315	407	793	194	177	144	273
United States	Actual (A)	65,968	27,039	21,835	17,166	52,837		108,056	175,272	11,491	266,564	746,226
	Predicted (B)	114,778	45,374	18,267	9,111	39,548		73,164	320,061	17,428	549,065	1,186,797
	(A)/(B) (%)	57	60	120	188	134		148	55	66	49	63
Mexico	Actual (A)	6,332	2,351	918	1,286	3,739	313,946		23,568	1,379	46,400	399,919
	Predicted (B)	9,295	3,758	1,498	743	3,245	80,349		17,564	1,482	26,863	144,798
	(A)/(B) (%)	68	63	61	173	115	391		134	93	173	276
EU	Actual (A)	170,756	35,209	37,671	22,904	66,410	277,787	34,101	1,688,400	31,119	457,468	2,821,825
	Predicted (B)	157,323	55,892	24,526	12,366	59,288	360,948	17,983	1,467,873	34,293	685,002	2,875,494
	(A)/(B) (%)	109	63	154	185	112	77	190	115	91	67	98
India	Actual (A)	4,387	1,351	937	395	8,815	22,445	3,558	21,636		40,596	104,119
	Predicted (B)	88,980	13,751	6,800	3,721	26,832	44,168	3,420	78,288		130,429	396,390
	(A)/(B) (%)	5	10	14	11	33	51	104	28		31	26
Rest of the world	Actual (A)	30,407	7,618	4,404	3,063	16,094	173,300	11,612	192,323	9,564	196,492	644,876
	Predicted (B)	168,251	49,858	22,069	11,524	61,277	589,874	20,792	538,644	47,107	485,647	1,995,043
	(A)/(B) (%)	18	15	20	27	26	29	56	36	20	40	32
Total (World)	Actual (A)	1,073,326	243,240	200,962	163,178	699,152	1,454,199	277,611	2,791,228	168,745	1,776,298	8,847,938
	Predicted (B)	843,981	336,152	190,707	101,455	374,403	1,414,313	140,372	2,832,690	186,657	2,427,209	8,847,938
	(A)/(B) (%)	127	72	105	161	187	103	198	99	90	73	100

Sources: Data drown from Ando, Yamanouchi, and Kimura (2025).

Actual and predicted machinery trade matrix (HS84-92): India's exports in 2017, 2023

- Table highlights changes in India's export pattern of all machinery goods, machinery parts, and machinery final goods.

- Overall, India's machinery exports increase by 1.9 times in 2017-2023 (in the nominal prices), but gap ratios do not increase much.
- However, a notable expansion is observed in both parts and final goods exports to the US, partially due to "the Apple effect." Showing the potential for machinery exports

All

Exporter/Importer	Value (millions US$, %)	China	Japan	Korea	Taiwan	ASEAN	United States	Mexico	EU	India	Rest of the world	Total (World)
India2017	Actual (A)	1,921	661	479	257	6,712	6,348	2,842	11,410		23,717	54,347
	Predicted (B)	54,443	14,022	5,393	2,419	18,354	29,393	2,004	50,483		90,033	266,544
	(A)/(B) (%)	4	5	9	11	37	22	142	23		26	20
India2023	Actual (A)	4,387	1,351	937	395	8,815	22,445	3,558	21,636		40,596	104,119
	Predicted (B)	88,980	13,751	6,800	3,721	26,832	44,168	3,420	78,288		130,429	396,390
	(A)/(B) (%)	5	10	14	11	33	51	104	28		31	26
	Actual 23/17	2.3	2.0	2.0	1.5	1.3	3.5	1.3	1.9		1.7	1.9
	Predicted 23/17	1.6	1.0	1.3	1.5	1.5	1.5	1.7	1.6		1.4	1.5
	Gap 23-17	1	5	5	-0	-4	29	-38	5		5	6

Parts

Exporter/Importer	Value (millions	China	Japan	Korea	Taiwan	ASEAN	United States	Mexico	EU	India	Rest of the world	Total (World)
India	Actual (A)	1,275	478	336	136	2,666	4,716	845	7,720		8,969	27,141
	Predicted (B)	23,168	5,633	2,208	1,002	10,034	12,914	769	20,043		45,647	121,418
	(A)/(B) (%)	6	8	15	14	27	37	110	39		20	22
India2023	Actual (A)	1,847	924	804	227	4,500	12,159	1,569	12,276		13,224	47,531
	Predicted (B)	37,023	5,637	2,784	1,515	14,646	19,825	1,292	30,896		64,496	178,113
	(A)/(B) (%)	5	16	29	15	31	61	121	40		21	27
	Actual 23/17	1.4	1.9	2.4	1.7	1.7	2.6	1.9	1.6		1.5	1.8
	Predicted 23/17	1.6	1.0	1.3	1.5	1.5	1.5	1.7	1.5		1.4	1.5
	Gap 23-17	-1	8	14	1	4	25	12	1		1	4

Final

Exporter/Importer	Value (millions	China	Japan	Korea	Taiwan	ASEAN	United States	Mexico	EU	India	Rest of the world	Total (World)
India	Actual (A)	646	183	143	121	4,047	1,632	1,997	3,689		14,748	27,206
	Predicted (B)	31,137	8,422	3,185	1,412	7,305	16,122	1,242	30,886		41,848	141,559
	(A)/(B) (%)	2	2	4	9	55	10	161	12		35	19
India2023	Actual (A)	2,541	426	132	168	4,315	10,286	1,988	9,359		27,372	56,588
	Predicted (B)	52,199	8,057	3,995	2,202	11,005	23,691	2,154	47,957		62,756	214,016
	(A)/(B) (%)	5	5	3	8	39	43	92	20		44	26
	Actual 23/17	3.9	2.3	0.9	1.4	1.1	6.3	1.0	2.5		1.9	2.1
	Predicted 23/17	1.7	1.0	1.3	1.6	1.5	1.5	1.7	1.6		1.5	1.5
	Gap 23-17	3	3	-1	-1	-16	33	-68	8		8	7

Source: Ando, Kimura, and Yamanouchi (forthcoming).

Actual and predicted machinery trade matrix (HS84-92): India's imports in 2017, 2023

- The import side reveals signs of a step forward.
  - Gap ratios of imports from the world rise to 90%.
  - Gap ratios of imports from Northeast Asian economies and ASEAN become much higher than 100%.
- China is the largest import origin. However, other East Asian economies also become major import origins.
- India has started being a part of East Asian machinery production networks from the import side.

Parts	India	India		All	India2017	India2023			Parts ratio 2017	Parts ratio 20x23
China	26,052	45,799	1.8	China	44,887	75,215	1.7	Actual 23/17	58%	61%
	24,327	31,700	1.3		49,187	65,113	1.3	Predicted 23/17		
	107	144	37		91	116	24	Gap 23-17		
Japan	3,096	4,681	1.5	Japan	5,470	8,240	1.5		57%	57%
	4,814	3,667	0.8		7,856	6,227	0.8			
	64	128	63		70	132	63			
Korea	3,844	6,302	1.6	Korea	6,443	8,696	1.3		60%	72%
	2,041	1,967	1.0		3,405	3,330	1.0			
	188	320	132		189	261	72			
Taiwan	763	4,292	5.6	Taiwan	1,516	5,282	3.5		50%	81%
	829	984	1.2		1,348	1,623	1.2			
	92	436	344		112	326	213			
ASEAN	5,119	9,572	1.9	ASEAN	11,656	17,759	1.5		44%	54%
	5,754	7,206	1.3		7,608	10,054	1.3			
	89	133	44		153	177	23			
United States	5,101	6,097	1.2	United States	8,128	11,491	1.4		63%	53%
	11,055	12,013	1.1		15,791	17,428	1.1			
	46	51	5		51	66	14			
Mexico	255	746	2.9	Mexico	796	1,379	1.7		32%	54%
	522	757	1.4		980	1,482	1.5			
	49	99	50		81	93	12			
EU	9,731	13,881	1.4	EU	21,942	31,119	1.4		44%	45%
	18,014	20,391	1.1		30,314	34,293	1.1			
	54	68	14		72	91	18			
India				India						
Rest of the world	2,321	2,579	1.1	Rest of the world	5,685	9,564	1.7		41%	27%
	26,720	32,940	1.2		36,375	47,107	1.3			
	9	8	-1		16	20	5			
Total (World)	56,283	93,949	1.7	Total (World)	106,523	168,745	1.6		53%	56%
	94,076	111,625	1.2		152,863	186,657	1.2			
	60	84	24		70	90	21			

Source: Ando, Kimura, and Yamanouchi (forthcoming).

Assessment of Trade Protection (1)

Measure	Number of Products	Per cent of Total Products	Import (USD billion)
ADD	310	7.9	40
QCO	338	8.6	50.7
MFN > 0	3,631	92.50	410

MFN Tariff Bracket (%)	Number of Products	% of Total Products	Import Value (USD billion)	Share in Total Imports (%)
0–5	94	2.4	49.2	11.0
5–10	771	19.6	88.2	19.7
10–15	1,911	48.7	241.8	54.1
15–20	440	11.2	47.9	10.7
20–30	400	10.2	14.0	3.1
30–40	51	1.3	2.1	0.5
40+	41	1.0	1.4	0.3

- The analysis uses 2023 HS-6-digit export, import, and tariff data, along with information on Anti-Dumping Duties (ADDs) and Quality Control Orders (QCOs) mapped to these products.

- A total of 3,927 HS-6-digit product lines were analysed.

Source: Authors' analysis.

Assessment of Trade Protection (2)

MFN Tariff (%)	QCOs (USD billion)	ADD (USD billion)	QCOs (% of goods)	ADD (% of goods)
0–5	0.24	1.52	4.26	6.38
5–10	13.36	5.42	7.26	2.72
10–15	21.37	25.58	6.49	11.3
15–20	12.65	6.9	25	11.82
20–30	2.2	0.36	8.75	2
30–40	0.83	0.15	11.76	11.76
40+	0.07	0.09	2.44	2.44

Source: Authors' analysis.

MFN Tariff (%)	Capital Goods (USD billion)	Consumer Goods (USD billion)	Intermediate Goods (USD billion)	Raw Materials (USD billion)	Capital Goods (%)	Consumer Goods (%)	Intermediate Goods (%)	Raw Materials (%)
0–5	47.7	0.4	0.8	0.2	67	11.7	10.6	10.6
5–10	45.7	1.3	27	14.2	63.3	4.1	26.1	6.5
10–15	15.4	48.4	122.7	55.3	9.6	29.4	56.5	4.6
15–20	17.2	7.9	15.8	7	20.2	27.7	49.6	2.5
20–30	3.8	7.8	2.1	0.3	3.8	79.8	16	0.5
30–40	–	0.8	1.3	–	0	45.1	49	5.9
40+	0.1	0.7	0.3	0.4	36.6	43.9	4.9	14.6

Geographical Simulation Analysis on the US "Reciprocal Tariffs", MFN Tariff Reduction and NTB Reduction

- The Geographical Simulation Model (IDE-GSM) is an analytical framework based on spatial economics. It allows for structural changes in both domestic and international economies as firms alter their purchasing and sales patterns.

- In the simulation of the US–China trade war since 2018, Vietnam, Thailand, and Malaysia experienced positive trade diversion effects and growth, while India, despite benefiting economically, showed no significant expansion in the electrical and electronics industries linked to global value chains.

- Now we examine a scenario under the tariff policy of the second Trump administration from July 2025 onwards, where India advances negotiations and faces a 25% country-specific tariff.

Table 1: Economic Effects of the New Simulation (China 20% vs. India 25%) (2027)

	Agriculture	Automotive	E&E	Textile	Food Proc.	Oth. Mfg.	Services	Mining	GDP
US	−1.62%	−4.52%	0.67%	1.36%	0.70%	−0.05%	−3.34%	−5.28%	−3.00%
China	−0.34%	−0.80%	−0.59%	0.03%	−1.23%	−1.44%	−0.43%	0.16%	−0.74%
EU	−0.07%	−0.12%	0.14%	0.42%	0.11%	0.27%	0.08%	0.42%	0.11%
Japan	−0.23%	−0.66%	0.45%	0.17%	0.02%	0.30%	0.07%	0.23%	0.08%
Cambodia	0.03%	0.00%	−0.08%	−0.23%	0.21%	−0.06%	0.03%	0.95%	−0.02%
Indonesia	0.02%	−0.37%	−0.06%	−0.46%	−1.47%	−0.02%	−0.02%	0.21%	−0.08%
Malaysia	−0.17%	−0.07%	−2.29%	0.05%	−0.49%	−0.10%	−0.23%	0.31%	−0.37%
Philippines	−0.17%	−0.04%	−1.25%	0.22%	−3.75%	0.11%	−0.22%	0.42%	−0.52%
Singapore	−0.35%	0.07%	0.32%	−0.07%	0.02%	0.80%	0.22%	0.23%	0.36%
Thailand	−0.23%	0.07%	−2.44%	−0.11%	−0.73%	−0.65%	−0.25%	0.19%	−0.47%
Vietnam	−0.37%	−0.62%	−0.44%	0.09%	−1.51%	−1.63%	−0.44%	0.26%	−0.65%
India	−0.03%	−0.16%	0.24%	0.10%	−0.04%	−0.30%	−0.03%	0.23%	−0.07%
World	−0.18%	−0.61%	−0.25%	0.08%	−0.33%	−0.42%	−0.99%	−0.19%	−0.77%

Source: IDE-GSM Simulation Result.

- Many countries show negative impacts: signalling the end of the structure where the Global South benefits from US tariff policies.

- India suffers relatively less damage.

Table 2: Economic Effects of India's MFN Tariff Reduction and NTB Reduction (2027, relative to US reciprocal tariff scenario

	Agriculture	Automotive	E&E	Textile	Food Proc.	Oth. Mfg.	Services	Mining	GDP
India	+0.18%	+3.36%	+1.67%	+3.23%	+0.75%	+2.97%	+0.83%	+5.17%	+1.55%

Source: IDE-GSM Simulation Result.

- Under these circumstances, if India lowers non-tariff barriers globally, it gains a significant positive impact.

- Given the arbitrary nature of US tariff policy and the uncertainty surrounding future targets, deepening reliance on any single country would entail a concentration of economic risk. To address this uncertainty, India's strategic course must be the promotion of "liberalisation towards the world," accompanied by diversification of export markets. It acts as a "structural improvement" to the domestic economy, enhancing overall institutional efficiency.

- We incorporate country-level weighted average tariff rates and explicitly examine Section 122 tariffs, providing a new assessment of their economic impact.

- Globally, the effects of Section 122 tariffs are smaller than those of IEEPA-type tariffs. India shows a slight improvement. The relatively limited impact of tariffs suggests potential advantages for attracting inward foreign direct investment.

FYI: Economic Effects Section 122 Tariffs
(2027, relative to US reciprocal tariff scenario)

	IEEPA	Sec 122 (10%)	Sec. 122 (15%)
Japan	0.1%	0.0%	0.0%
Korea	0.1%	-0.2%	-0.1%
China	-1.2%	-0.8%	-0.9%
Taiwan	0.7%	0.5%	0.6%
India	-0.2%	0.0%	0.0%
US	-4.3%	-3.1%	-3.4%
Mexico	-1.2%	0.0%	0.2%
Canada	-1.0%	-0.2%	-0.1%
Brazil	0.1%	0.1%	0.1%
EU	0.1%	0.1%	0.1%
ASEAN10	0.2%	0.1%	0.1%
Indonesia	0.0%	0.0%	0.0%
Malaysia	0.3%	0.3%	0.3%
Singapore	1.2%	0.5%	0.6%
Thailand	0.0%	0.0%	0.0%
Philippines	0.3%	0.2%	0.2%
Vietnam	0.0%	-0.1%	-0.1%
World	-1.2%	-0.9%	-0.9%

Source: IDE-GSM Simulation Result.

Conclusion and Policy Suggestions

- Given the geopolitical situation, it is important to diversify exports and also import sources

- To achieve its export ambitions, India must focus on two priorities: improving the business environment and strengthening its import policy.

- Imports play a critical role in supporting exports and enabling integration into global value chains (GVCs).

- The paper highlights that reducing import tariffs could generate significant GDP gains for India.

- Trade liberalisation should start with a structured identification of critical intermediate goods.

- Priority should be given to products where India has low comparative advantage and high import dependence.

- Special attention should be paid to goods facing multiple layers of protection beyond tariffs.

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Conclusion and Policy Suggestions

Time Horizon	Objective	Policy Recommendations
Short Term	Prevent new distortions and remove the most growth-restricting barriers	• Freeze further tariff hikes • Correct inverted duty structures, especially where intermediate inputs face higher tariffs than finished goods • Remove QCOs on intermediate goods that are not consumer-facing or safety-critical,and continue the recent momentum of rescinding such QCOs.
Medium Term	Rationalisation and realignment to build a coherent and predictable trade structure	• Lower tariffs on key inputs and move them to a 0–5% MFN tariff band to reduce production costs. • Consolidate overlapping measures (ADDs, tariffs, QCOs) to reduce cumulative protection and improve policy clarity. • Reassess QCOs and retain only those justified on safety or critical quality grounds. • Expand FTA engagements, particularly with the EU, ASEAN, and African economies, while pursuing opportunities in the US.
Long Term	Improve competitiveness and deepen global integration	• Align trade policy with productivity, scale, and export competitiveness rather than domestic protection. • Link incentive schemes to value addition and productivity improvements. • Address structural factors such as labour regulations, regulatory quality, R&D investment, and firm concentration.