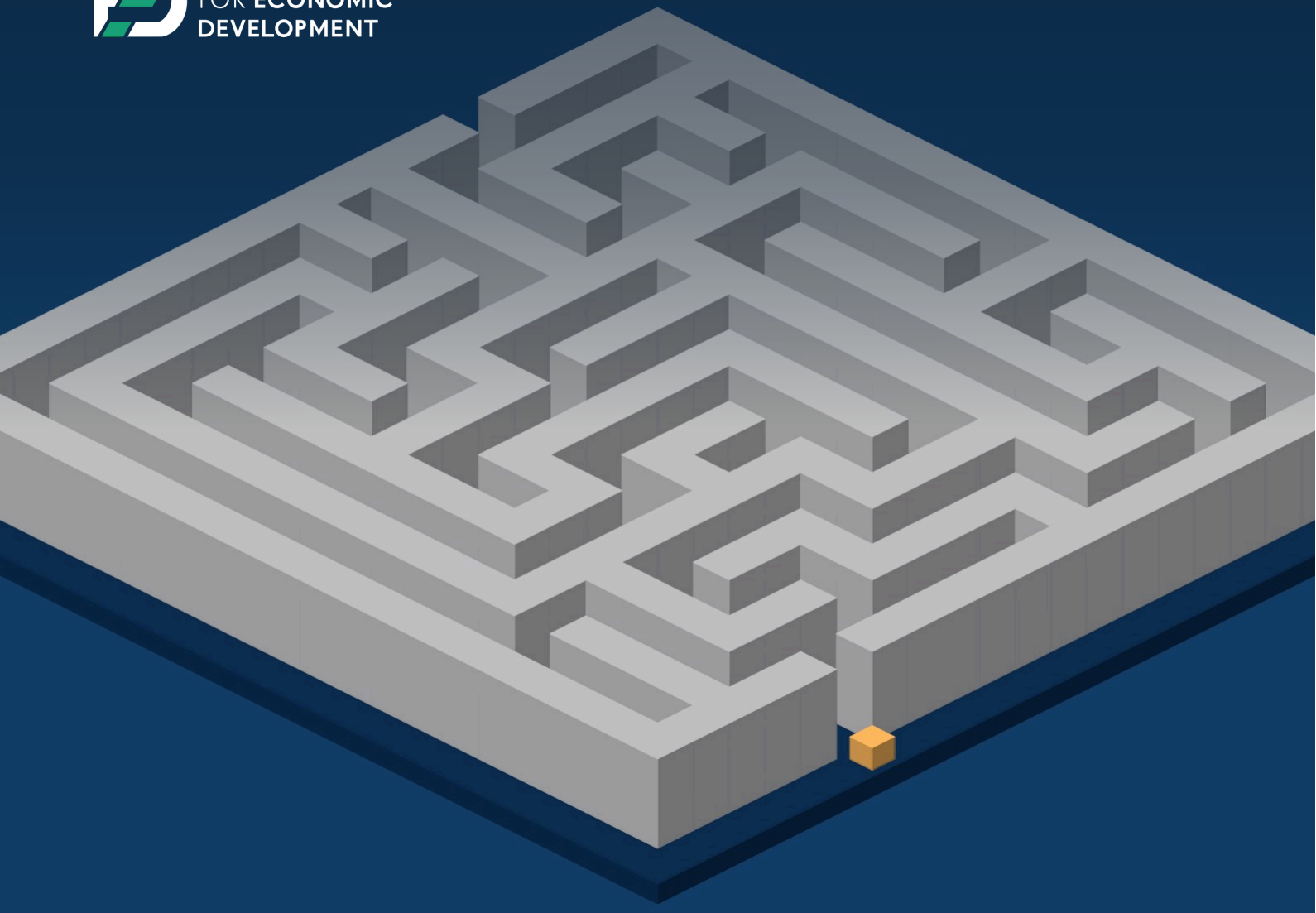
FOUNDATION FOR ECONOMIC DEVELOPMENT



POLICY REPORT

CHEAPER INPUTS, MORE JOBS

The case for low and simple import tariffs

November 2026

Foundation for Economic Development

Authors

Rahul Ahluwalia
Founder and Managing Partner

Ronak Pol
Senior Team Lead

Faisal Khan
Senior Team Lead

Ashwin Sharma
Program Manager

Ajit Patwardhan
Program Manager

Yuvraj Khetan
Team Lead

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CONTACT

WEBSITE www.fedev.org
PHONE 011 4003 9300
SOCIAL @fedev_india
ADDRESS 242, Okhla Industrial Area Phase 3, New Delhi 110020

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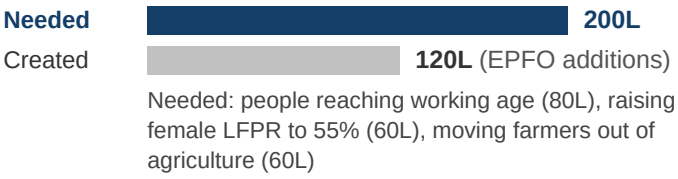
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Executive Summary

Solving India's jobs problem needs 10% annual growth in manufacturing exports, necessitating deeper GVC integration

80 lakh additional jobs needed every year, for the next 10 years

JOBS NEEDED VS JOBS CREATED, EVERY YEAR

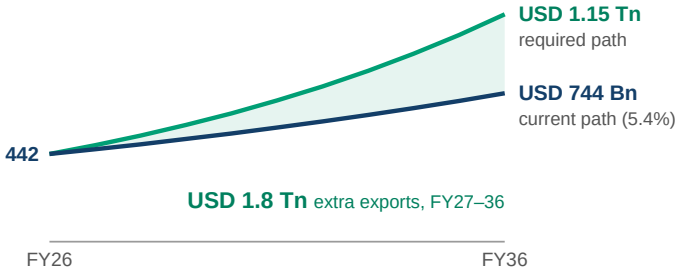


Needed: people reaching working age (80L), raising female LFPR to 55% (60L), moving farmers out of agriculture (60L)

This needs manufacturing exports to grow at nearly double today's rate

Domestic demand cannot grow fast enough to absorb this additional output.

MANUFACTURING EXPORTS (USD BN)



Export growth at this scale needs deeper GVC integration, and low tariffs

GVCs account for almost half of all global trade. Inputs cross borders many times before a product is finished.

13x

more exports per capita in countries with average tariffs below 10% than in countries above 10%

India's own mobile phone experience confirms the pattern

Lower tariffs also allowed the Production-Linked Incentive (PLI) scheme to be effective.

+568%

exports: USD 4.4 → 29.4 Bn

+253%

jobs: 52,509 → 1,85,175

Mobile phone manufacturing, 2022 to 2026, as duties on phones and parts were cut

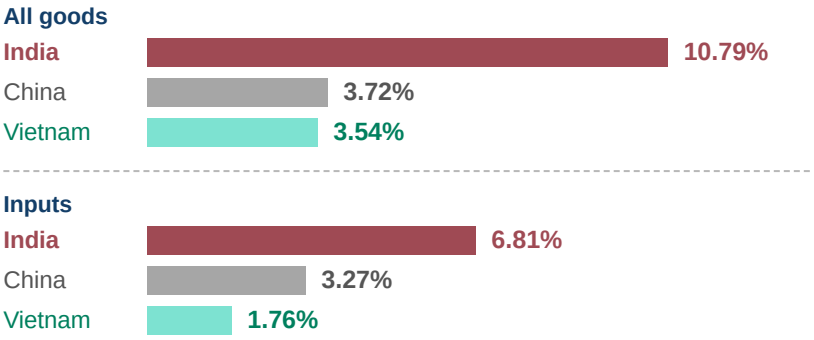
Sources: PLFS 2023-24 and 2024-25, PIB, UNICEF, World Bank (jobs); Ministry of Commerce & Industry, ASI 2023-24 MoSPI (exports); World Bank WDI (13x); PIB (mobile phones); FED analysis.

Indian tariffs are effectively 3x higher than China and Vietnam, and input tariffs 2–4x higher

India's average effective duty* is well above China's and Vietnam's, on all goods and on inputs

* Average effective duty calculations and report recommendations are restricted to non-agricultural items.

AVERAGE EFFECTIVE DUTY[1,2] (%)



A much smaller share of India's imports enters at low duty than China's or Vietnam's

SHARE OF IMPORTS ENTERING AT ≤2.5% DUTY



Higher input costs drive most of the cost gap for Indian manufacturers

India holds 1–3% of USD 10.5 trillion of global trade in key sectors; Vietnam holds 3–6%.

COST DISABILITY VS BEST COMPETITOR, AND SHARE FROM INPUT COSTS



Closing the gap could create lakhs of additional direct jobs

These estimates count direct factory jobs only. On average, every direct factory job creates 3 indirect jobs.

~53 lakh
direct jobs
in electronics, engineering goods and apparel, at Vietnam's export share

~25 lakh
direct jobs
in non-leather footwear, at Vietnam's 24% share

~9.7 lakh
direct jobs
in steel-using sectors, with 1% more market share

Sources: India: CUSTADA; Vietnam: MOIT; China: GACC; UN Comtrade; ITC Trade Map; Annual Survey of Industries 2023-24 MoSPI; FED analysis.

[1] Average effective duty is the average trade-weighted tariff rate that the importing country (India, China, or Vietnam) applies, using the lowest rate available to each source country, whether the standard customs duty or a free trade agreement rate, and weighting by global exports. It excludes agricultural products and cesses such as SWS and AIDC, and does not account for duty-free treatment under special regimes such as customs bonded zones.

[2] Refer to Annexure 1 for details on how the average effective duties have been calculated.

India's complex tariff regime adds to the loss of competitiveness by causing disputes, delays and uncertainty

Cesses multiply India's notified basic customs duty (BCD) rates



10 notified BCD rates → **44** applicable rates with AIDC and SWS

India needs many more rates than its competitors to cover the bulk of its imports

DISTINCT RATES NEEDED TO COVER THE MOST LIBERAL 70% OF IMPORTS†



Similar products often carry different rates

This raises the stakes of classification for every importer.

Dials (HS6 911430): for watches **5.5%** for clocks **11.0%**

127 HS6 categories contain 2 different rates at the HS8 level.

Classification disputes delay clearance and lock up working capital

For example, a classification dispute at the HS8 level has locked up INR 69 Cr of a company's working capital for nearly 10 years.

~60%
of disputes at the customs level are classification related[3]

90%+
of classification disputes that reach appellate or courts are ruled in favour of industry[4]

~2–3x
more time for import clearance than in China and Vietnam

Sources: India: CUSTADA; Vietnam: MOIT; China: GACC; UN Comtrade; National Time Release Study 2025 (CBIC); CESTAT ruling, Amba River Coke (2022); FED analysis.

† Most liberal 70% of imports refers to the set of commodities subjected to the lowest tariff rates while accounting for 70% of the value of the country's total imports.

3 Based on government and industry stakeholder conversations (former heads of customs at several ports, former CESTAT tribunal member).

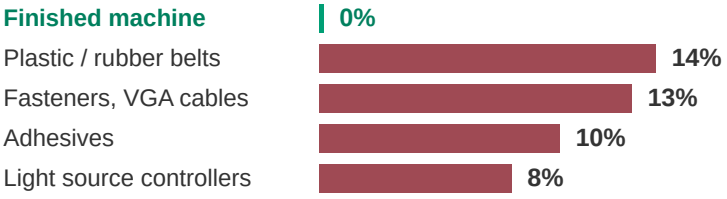
4 Based on a sample of 133 customs-related cases filed across CESTAT, High Courts and the Supreme Court between 2020 and 2025.

Case-by-case tariff exemption and trade enabling schemes like SEZs are insufficient to restore export competitiveness

Case-by-case exemptions inadvertently create duty inversions

It becomes cheaper to import a finished machine than to build it in India. Frequent changes also deny industry the policy stability it needs.

AVERAGE EFFECTIVE DUTY: AUTOMATED ASSEMBLY / TESTING EQUIPMENT



Each trade enabling scheme has its own limitation, so tariff relief remains marginal

Not every component maker can or will be part of these schemes.

SEZ
No level playing field access to the Indian market

EOU
GST paid upfront and refunded later, blocking working capital

AA
Outdated input-output norms (SION) limit duty benefit

MOOWR
No depreciation of capital goods

Modern products are too complex to exempt input by input

Even a simple multimeter draws on 3,000+ inputs once all suppliers are counted.

AVERAGE EFFECTIVE DUTY BY TIER: EVERY INPUT TIER IS TAXED MORE THAN THE FINAL PRODUCT



Therefore, globally competitive tariffs are necessary across the board.

Sources: India: CUSTADA; ITC Trade Map; UNSD BEC; EPCES Trade Bulletin; DGFT Annual MIS Report 2025; Economic Survey 2025-26; PIB; Annual Survey of Industries 2023-24 MoSPI; FED analysis.

Reduce and rationalize tariffs in three phases, guided by two design principles

1

Tariff policy should be designed for export competitiveness

Low and stable tariff rates across the board, with as many products at the zero tariff rate as possible.

2

Simplicity should be a key regulatory objective

Reduce the number of applicable rates and limit variation within closely related product categories.

THREE PHASES TO A SIMPLE 3-RATE REGIME

First simplify the structure, then progressively lower tariffs, giving industry predictability and time to adjust at each step.

PHASE 1 · 1–2 YEARS

Simplify 44 applicable rates to 9

- End HS8-level variation
- Eliminate duty inversion

PHASE 2 · 2–4 YEARS

Move inputs to 5% or less

- Move as many inputs as possible to zero duty
- Consolidate high tariff bands down such that only 5 rates remain: 0%, 5%, 10%, 25%, and 50%

PHASE 3 · 5+ YEARS

Simple 3 rate regime: 0%, 5% and 7.5%

- 60%+ of imports enter duty-free
- Similar products have the same tariff rate

These recommendations are only for non-agricultural items.

WHY REDUCE AND RATIONALIZE TARIFFS NOW

Geopolitical developments are raising costs for Indian manufacturers just as global supply chains reorganize. Reducing and rationalizing tariffs directly lowers those costs, regardless of conditions in other markets.

Sources: FED analysis. See Section 5 and Annexure 6 for the rate consolidation methodology.



FOUNDATION FOR ECONOMIC DEVELOPMENT

SECTION 1

Solving India's jobs problem needs 10% annual growth in manufacturing exports, necessitating deeper GVC integration

IN THIS SECTION

1.1 India needs to create 80 lakh additional jobs every year for the next 10 years

1.2 Creating these jobs requires India's manufacturing exports to grow at a 10%+ CAGR

1.3 Rapid and sustained growth necessitates that India integrate more deeply into GVCs

1.4 Global experience shows that low tariffs drive competitiveness and exports

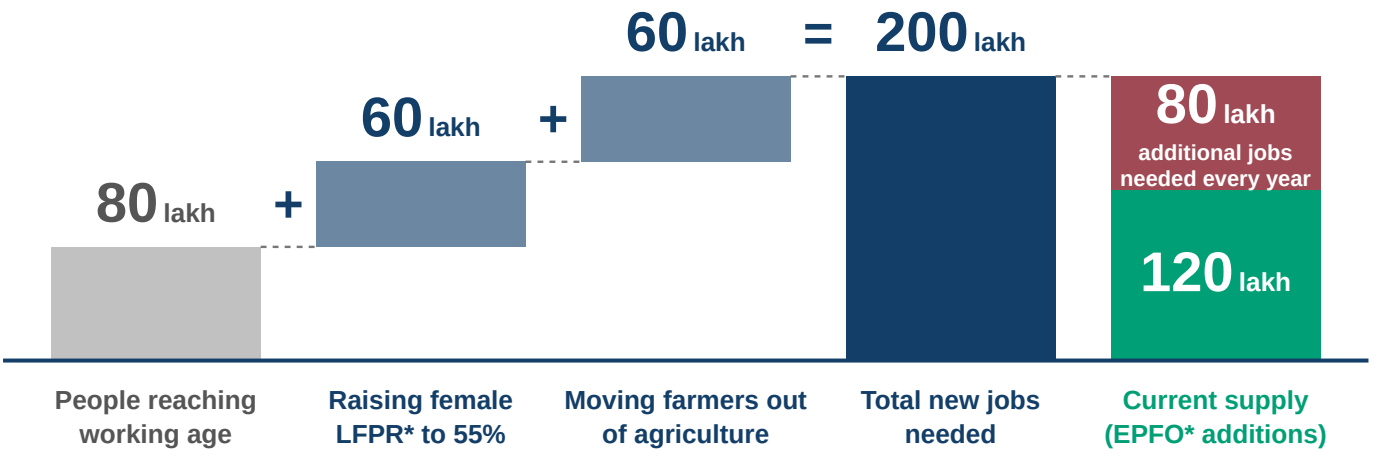
1.5 India's mobile phone manufacturing experience confirms the global pattern holds in India

India needs to create 80 lakh additional jobs every year for the next 10 years

Each year, India needs to provide jobs for 200 lakh people.

Against this, current job creation, measured by Employees' Provident Fund Organization (EPFO) additions†, is about 120 lakh a year, leaving an overall gap of 80 lakh jobs every year (see Figure 1).

Figure 1: India needs to create 80 lakh additional jobs every year to absorb three sources of demand



Source: PLFS 2023-24, PLFS 2024-25, PIB, UNICEF, World Bank

Notes:

- For people reaching working age and wanting to join labour force: Of about 250 lakh[5] people reaching working age each year (estimated from births 15 years earlier, adjusted for mortality), 110 lakh are not seeking employment at current participation rates[6]. 60 lakh are exiting jobs. This leaves 80 lakh new jobs required.
- For *female LFPR: Current female LFPR (Labour Force Participation Rate) taken as ~42% based on PLFS annual report FY2024 and PLFS annual report 2025[7]. Medium-term female LFPR target of 55% is taken based on the Economic Times article "India aims to lift female labour force participation to 55% by 2030" (November 2025)[8]. Assuming a labour force of 50 crore, the additional 13 percentage points come to ~6 crore, which spread over 10 years, comes to ~60 lakh annually.
- For farmers moving out of agriculture: Current employment % in agriculture taken as 42% based on World Bank data[9]. Target agriculture share of employment taken as 30%, which is a conservative estimate based on the benchmark of Indonesia (27%) and Vietnam (25%) as per World Bank data. Again, assuming labour force of 50 crore, a 12 percentage point shift in employment from Agri to non-Agri comes to 6 crore spread over 10 years, which comes to ~60 lakh annually.
- *EPFO (Employees' Provident Fund Organization): The average EPFO new user registration between Jan to July 2025 was ~9 lakh. Rounding it off to 10 lakh a month, makes annual EPFO new user additions 120 lakh.

† Current job creation is measured by EPFO new registrations. These count every first-time enrolment, including workers in existing jobs who are being brought onto formal payroll, and do not net out people who leave formal employment, so they measure additions to formal payroll rather than net new jobs. We use them because they are a regularly published administrative series on formal employment, and the jobs this report focuses on are formal jobs. If anything, this overstates current job creation, which makes the 80 lakh gap a conservative estimate.

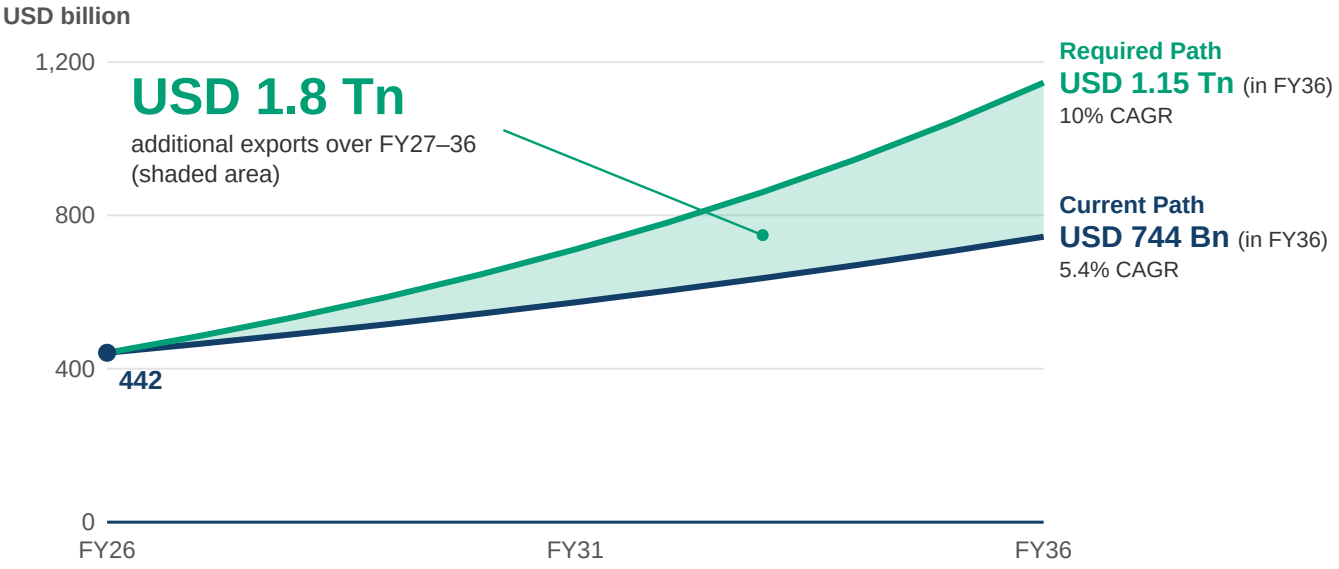
5 UNICEF India. 6 PIB March 2026 release. 7 PIB March 2026 release, PIB Nov 2024 release.
8 Economic Times, "India aims to lift female labour force participation to 55% by 2030", November 2025. 9 World Bank employment in agriculture data.

Creating these jobs requires India's manufacturing exports to grow at a 10%+ CAGR

To create 80 lakh additional jobs every year over the next decade, we will need to export ~USD 180 billion more a year on average, or USD 1.8 trillion extra over the next ten years.

This implies a real export growth rate of ~10% every year, as against the current 5.4% (see Figure 2).

Figure 2: India needs to export USD 1.8 Tn extra over the next ten years to support required job growth



Source: Ministry of Commerce & Industry; PIB; Annual Survey of Industries 2023-24 MoSPI; FED analysis

Notes:

- Not all the additional 80 lakh jobs will be direct jobs. Our manufacturing experience shows that on average, for every 1 direct factory job created, there are 3 indirect jobs created. So, the additional 80 lakh jobs can be thought of as split between 20 lakh additional direct jobs and 60 lakh additional indirect jobs. This 1:3 direct to indirect job ratio is based on industry reports and Annual Survey of Industries.
- It is assumed that our industries maintain their current average labour intensity.
- Direct employment per unit of factory output is 1.28 jobs per INR 1 crore. This has been calculated by dividing the 1.96 crore persons engaged in India's factories by INR 153 lakh crore of factory output, with both data points being taken from ASI 2023-24.
- Exchange rate of USD 1 = INR 88 used. This comes to 1 direct factory job per ~USD 88,000 of export. For 20 lakh additional direct jobs, the required additional annual output comes to ~USD 180 billion.
- Domestic demand cannot grow fast enough to absorb this additional output on top of its current growth. So, all this additional output would need to be exported.
- To calculate current path merchandise export CAGR of 5.4%, we have calculated the CAGR of merchandise exports between FY15-16 (USD 262.3 billion) and FY25-26 (USD 441.8 billion). CAGR: Compound Annual Growth Rate.
- Current path CAGR gives us USD 5.95 trillion cumulative exports for FY27–36. Required path adds USD 180 billion of exports every year for 10 years (USD 1.8 trillion total) to reach USD 7.75 trillion in cumulative exports for FY27-36; the CAGR that delivers this cumulative figure is 10%.

Rapid and sustained growth necessitates that India integrate more deeply into GVCs

GVCs account for almost half of all global trade[10]. Manufacturing of products is spread across many countries, with each manufacturing stage located where it's the most cost effective. Additionally, over the course of production, thousands of inputs and intermediate products cross international borders multiple times.

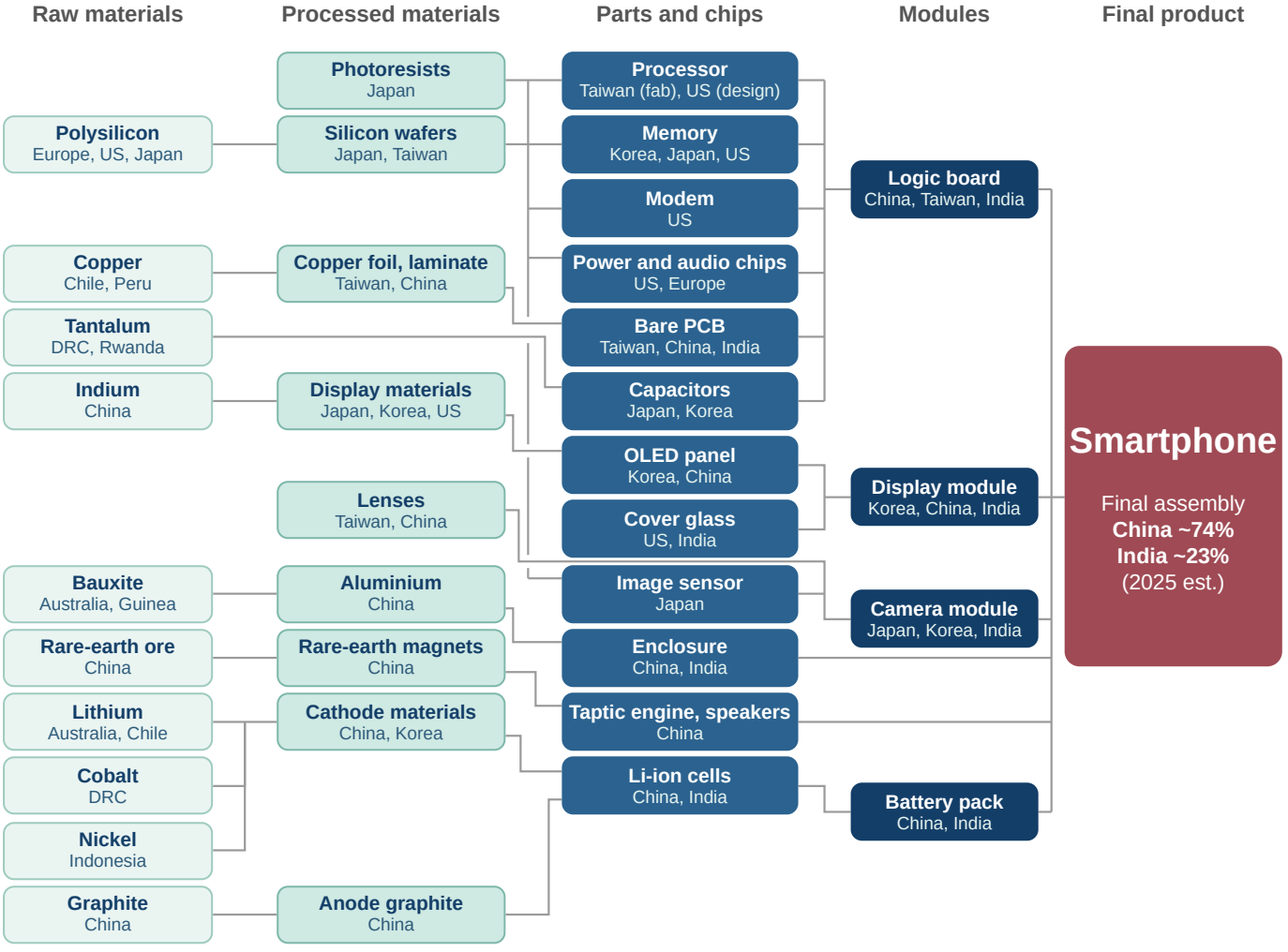
For any country seeking a bigger role in GVCs, ensuring cost competitiveness as well as friction-free cross-border movement is critical. A simple and competitive tariff regime is key to achieving this.

ILLUSTRATIVE EXAMPLE: PREMIUM SMARTPHONE

2,700	187	28
component parts	unique suppliers	countries[11]

Several of these components will cross national borders multiple times, either as raw materials, components, or sub-assemblies (see Figure 3).

Figure 3: GVCs optimize cost by globalizing component manufacturing (illustration: smartphone value chain)



Source: FED analysis

Note: Illustrative map; not exhaustive. Assembly shares are based on industry inputs[11] for 2025.

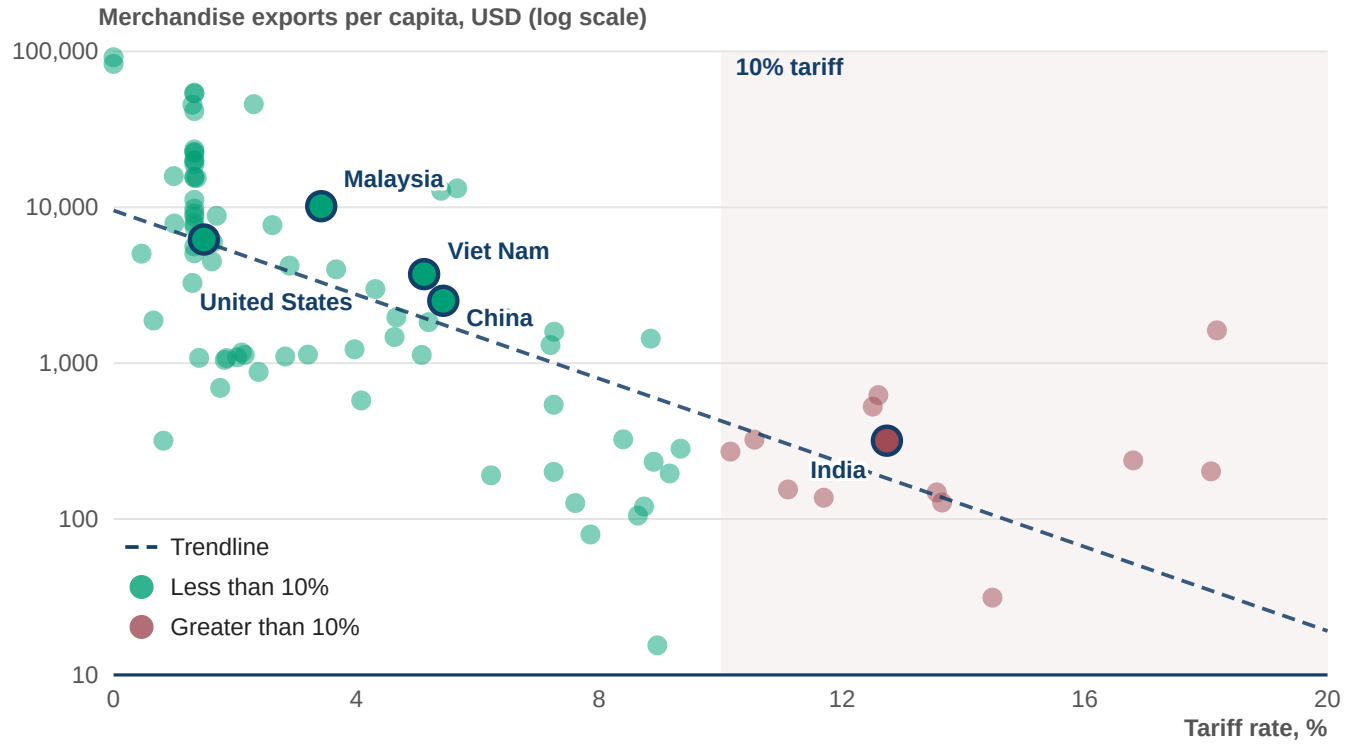
[10] World Bank World Development Report 2020. [11] Industry inputs.

Global experience shows that low tariffs drive competitiveness and exports

13x

Countries with average tariffs below 10% export on average 13 times more per capita than countries with tariffs above 10% (see Figure 4).

Figure 4: Countries with lower tariffs export more per capita



Source: World Bank, World Development Indicators; FED analysis

Notes:

- Exports per capita shown on a log scale. Countries with a population under 5 million or missing data are excluded.
- Tariffs data: India (FY27), China and Vietnam (CY25), all other countries (CY22).
- For all countries, tariff rate is the average rate weighted by the product import shares corresponding to each partner country. This includes both agricultural and non-agricultural products.

India's mobile phone manufacturing experience confirms the global pattern holds in India

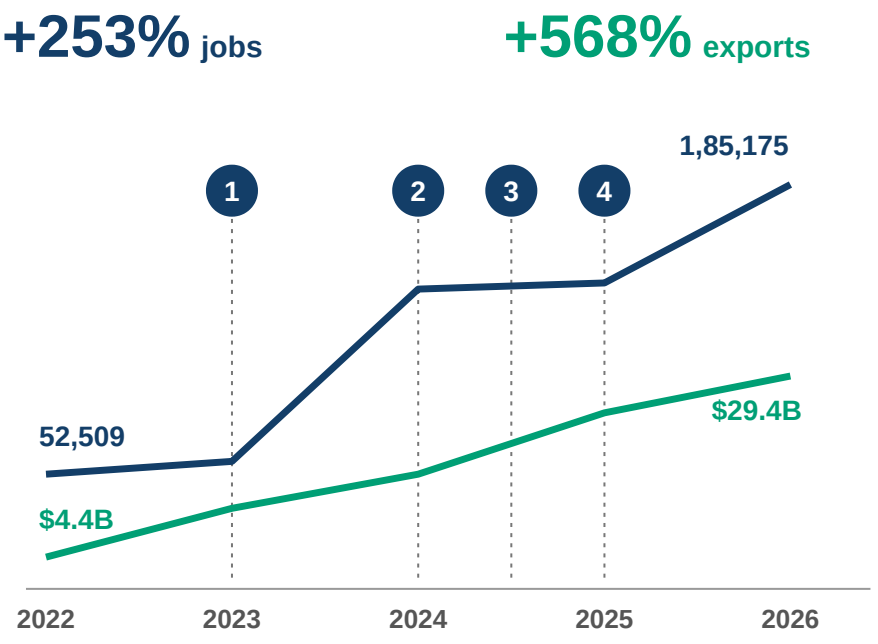
India's recent experience with mobile phones shows how reducing and rationalizing tariffs helped India become the world's second largest mobile phone manufacturer and a global mobile phone export hub[12].

Between 2022 and 2026, India cut import tariffs across the mobile phone value chain. Over the same period, mobile phone exports grew about seven-fold and employment in the mobile phone manufacturing ecosystem grew more than three-fold (see Figure 5). Lower tariffs also allowed the Production-Linked Incentive (PLI) scheme to be effective.

Figure 5: Exports and employment in India's mobile phone manufacturing sector rose as duties on phones and parts were cut

Mobile phone duty cuts

1. **Camera lens inputs**
   2.5% → 0%
2. **Key parts**
   15% → 10%
3. **Phones, PCBA, chargers**
   20% → 15%
4. **PCBA, camera module and connector inputs**
   2.5% → 0%



Source: FED analysis

Notes:

- Key parts include battery covers, main camera lens, back covers and other mechanical inputs.
- Growth rates compare 2022 with 2026; each point is the highest reading in that year.

WHY REDUCE AND RATIONALIZE TARIFFS NOW

Geopolitical developments are raising costs for Indian manufacturers, which makes tariff reduction and rationalization more urgent.

- **Supply chains are being reorganized.** Global firms are diversifying where they source and produce. Investment decisions made in the coming years will shape where manufacturing capacity is located.
- **Domestic tariff policy can offset part of these costs.** Lowering and simplifying India's own tariffs directly reduces costs for its manufacturers, regardless of conditions in other markets.

[12] PIB July 2026.



SECTION 2

High and complex tariffs make manufacturing in India uncompetitive

IN THIS SECTION

2.1 Indian tariffs hurt export competitiveness and job growth

2.2 Indian tariffs are effectively 3x higher than China and Vietnam

2.3 Input tariffs in India are 2–4x higher than China and Vietnam

2.4 India's complex tariff regime – 44 distinct tariff rates (including cesses) – adds to loss of competitiveness by causing disputes, delays and uncertainty

Indian tariffs hurt export competitiveness and job growth

High tariffs raise costs for every manufacturer. Because downstream exporters sell into competitive global markets and cannot pass these costs on to buyers, they must either absorb the costs in the form of lower margins or lose orders. Fewer orders mean less production and fewer jobs.

India imposes higher tariffs on inputs vis-à-vis competitors like China and Vietnam. Annexure 2 compares tariffs on 20 key inputs and finds that India's average effective duty is higher than Vietnam's on all 20, and higher than China's on 19 inputs.

CASE STUDY 1

Electronics, Engineering Goods, and Apparel

In 2024, India held about 1% (USD 40 billion) of global exports share in electronics, 1% (USD 73 billion) in engineering goods and 3% (USD 16 billion) in apparel. Vietnam's shares were 4%, 3% and 6% respectively. If India matches Vietnam's share in all three sectors, it can create about 53 lakh additional direct jobs (see Figure 6).

Figure 6: India can create ~53 lakh additional direct jobs if it matches Vietnam's export share



Source: ITC Trade Map, Annual Survey of Industries 2023-24 MoSPI; FED analysis

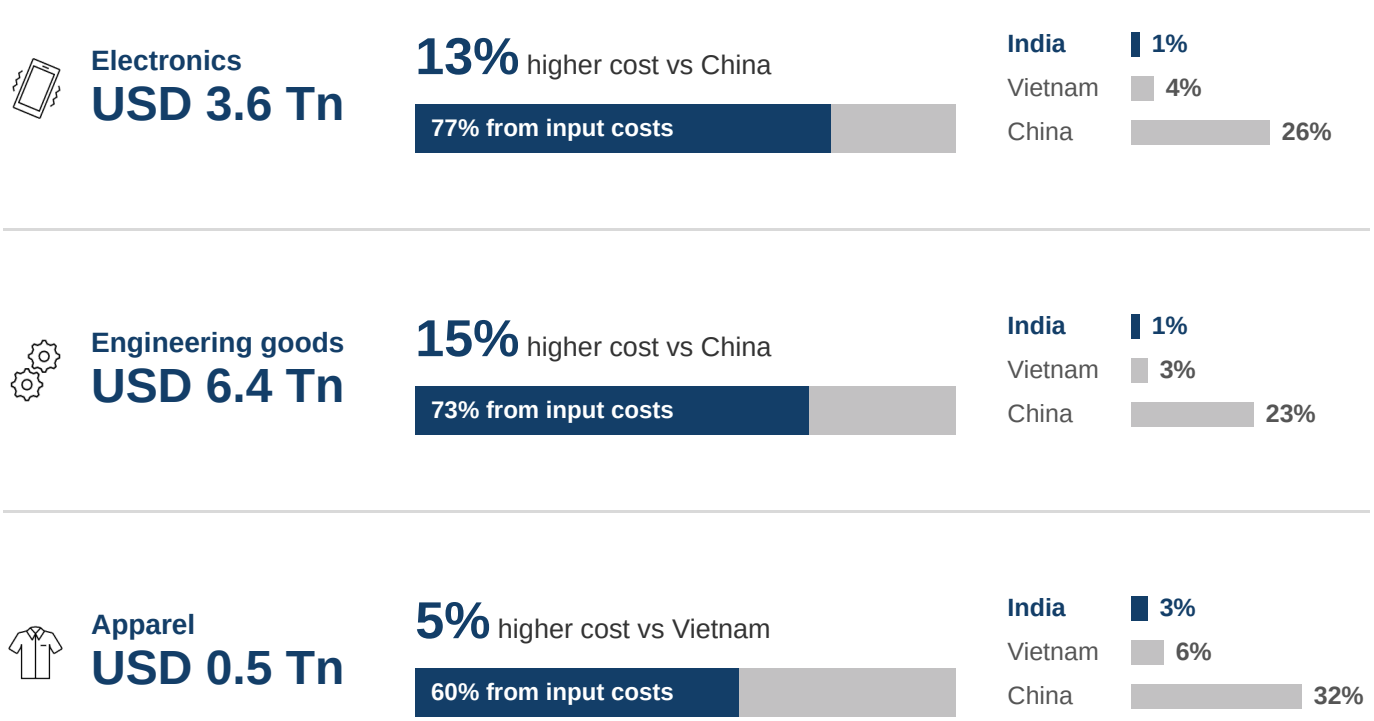
Notes:

- Target export shares are Vietnam's current shares of global exports in each sector.
- For Engineering Goods: Direct employment per USD Bn of additional factory output taken at 11,000 jobs.
- For Electronics: Direct employment per USD Bn of additional factory output taken at 25,000 jobs.
- For Apparel: Direct employment per USD Bn of additional factory output taken at 100,000 jobs.
- Exchange rate of USD 1 = INR 88 used.

Indian manufacturers have a 5-15% cost disability vis-à-vis competitors like China and Vietnam, with input costs accounting for 60-77% of that cost disability.

High input costs make India uncompetitive in these sectors, preventing fast export growth (see Figure 7).

Figure 7: High input costs constrain India's export competitiveness



Source: ITC Trade Map; FED analysis

Note: Market sizes for Electronics, Engineering Goods, and Apparel are based on global trade in these sectors in CY2024.

CASE STUDY 2

Steel

Steel is a strategic sector with many downstream uses. Steel accounts for 6% to 28% of the bill of materials (BOM) in key downstream sectors: engineering and capital goods, automotive and auto components, aviation, shipping, and railways.

This cost flows into the final product price, creating a disadvantage of about 1% to 6% across these sectors, weakening India's ability to compete in them. As a result, India accounts for only about 1.2% of the USD 8.8 trillion of global trade in these sectors.

Higher tariffs on steel products such as hot-rolled coil (HRC), bar and stainless steel, together with non-tariff barriers like Quality Control Orders (QCOs), make Indian steel about 20%[13] costlier than the steel available to Chinese manufacturers.

India's domestic steel industry was valued at USD 100 Bn[14] in FY26, while the downstream sectors that depend on steel compete in a global market nearly 90 times that size – USD 8.8 trillion. In trying to protect a few domestic firms, we have made the rest of Indian manufacturing less competitive.

~9.7 lakh **additional direct jobs if India were to achieve an additional 1% market share in a few sectors downstream of steel (see Table 1)**

Table 1: High steel prices have a negative impact on downstream product price and sector exports; constraining job creation

Sector	Final product price disadvantage	Global trade USD Bn (India's share)	Potential direct jobs (+1% share)
Engineering & capital goods Steel is 12.8% of bill of materials	2.6%	6,400 (1.14%)	**~7,00,000**
Automotive & auto components Steel is 15.9% of bill of materials	3.2%	1,900 (1.16%)	**~2,10,000**
Aviation Steel is 6.0% of bill of materials	1.2%	331 (2.25%)	**~40,000**
Shipping Steel is 14.6% of bill of materials	2.9%	154 (3.20%)	**~17,000**
Railways Steel is 28.0% of bill of materials	5.6%	56 (0.63%)	**~6,000**
Total potential direct jobs			**~9.7 lakh**

Source: Annual Survey of Industries 2023-24 MoSPI; ITC Trade Map, Trade data for CY2024; FED analysis

Notes:

- Steel share of BOM = steel cost ÷ materials consumed.
- Final product price disadvantage = steel share of BOM × 20% higher steel cost for Indian manufacturers than for Chinese manufacturers.
- Direct employment per USD Bn of additional factory output taken at 11,000 jobs for each of the 5 sectors.
- Exchange rate of USD 1 = INR 88 used.

[13] Estimated based on industry consultations.

[14] Estimated by multiplying India's FY26 crude steel output of 168.4 million MT (PIB April 2026) with Jefferies Financial Group's estimate of Indian steel prices to be USD 613.52 per MT for FY26 (IBEF June 2025).

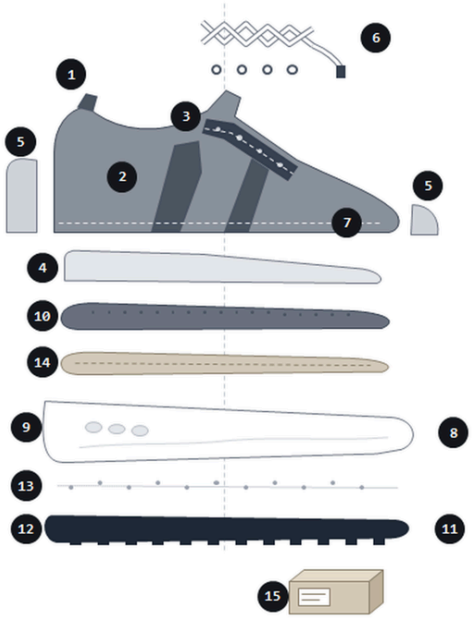
CASE STUDY 3

Non-leather footwear

India imposes higher tariffs on non-leather footwear inputs vis-à-vis Vietnam. Table 2 below compares India's tariffs with Vietnam's for 15 key non-leather footwear components.

Higher tariffs make Indian non-leather footwear ~7% costlier[15] and hurt export competitiveness. If India solves for its cost disability and reaches Vietnam's share of 24%, it could create ~25 lakh[16] additional direct jobs.

Table 2: India's import tariff is substantially higher than Vietnam's on every component of a non-leather footwear



#	COMPONENT	AVG. EFFECTIVE DUTY		
		INDIA	VIETNAM	GAP
1	Upper	18%	4%	+14 pp
2	Polyester mesh upper (value)	13%	4%	+9 pp
3	Synthetic PU overlays (minimal)	18%	2%	+16 pp
4	Lining & foam (basic)	18%	2%	+16 pp
5	Reinforcements (basic toe/counter)	15%	5%	+10 pp
6	Laces, eyelets, trims	9%	3%	+6 pp
7	Upper thread & adhesive	4%	1%	+3 pp
8	Midsole	18%	1%	+17 pp
9	EVA / injected midsole	5%	0%	+5 pp
10	Basic EVA / textile sockliner	17%	1%	+16 pp
11	Bottom / outsole	18%	5%	+13 pp
12	Rubber / TPR outsole	6%	0%	+6 pp
13	Cementing / adhesion chemicals	10%	4%	+6 pp
14	Insole board / strobel	15%	5%	+10 pp
15	Packaging (basic box, labels)	10%	4%	+6 pp

Source: India: CUSTADA; Vietnam: Ministry of Industry and Trade (MOIT), ITC Trade Map; FED analysis

Notes:

- Tariff rate is the average effective duty (excluding cesses).
- Tariff data for India is for FY27 and for Vietnam CY25.

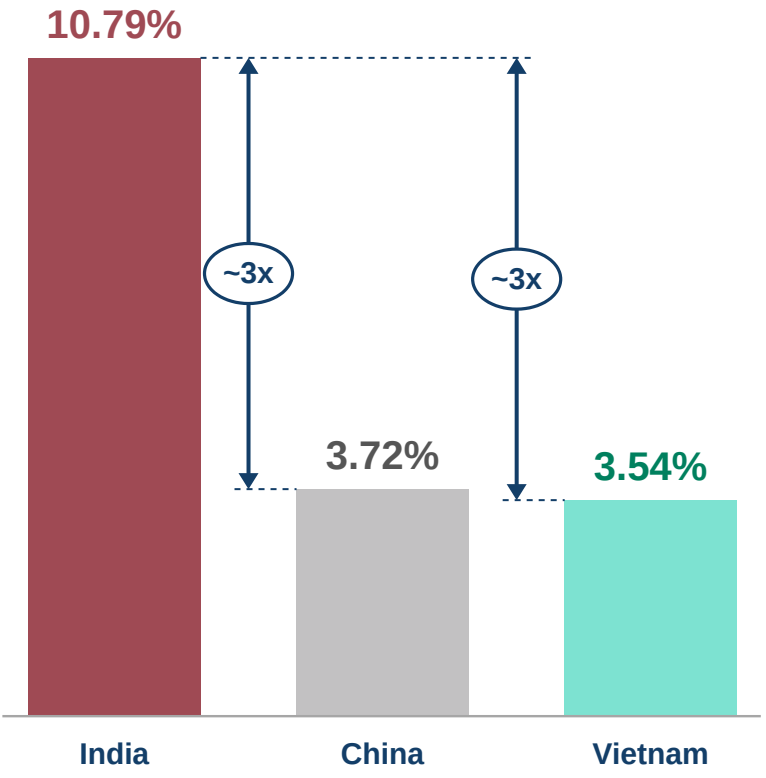
[15] Price disability calculated for integrated Domestic Tariff Area (DTA) unit (raw material processing all the way to finished product manufacturing); cost disability calculated after including incentives (RoDTEP etc.). Footwear considered is mid-level non-leather footwear (USD 18-25 price range).

[16] For Footwear: Direct employment per USD Bn of additional factory output taken at 100,000 jobs.

Indian tariffs are effectively 3x higher than China and Vietnam

India's average effective duty stands at 10.79% compared to 3.72% for China and 3.54% for Vietnam[17] (see Figure 8). This gap reflects how India's actual imports are distributed across tariff bands.

Figure 8: India has higher average effective duty than its competitors



Source: India: CUSTADA; Vietnam: Ministry of Industry and Trade (MOIT); China: General Administration of Customs China (GACC); UN Comtrade; ITC Trade Map; FED analysis

Note:

- Analysis excludes Agricultural products.

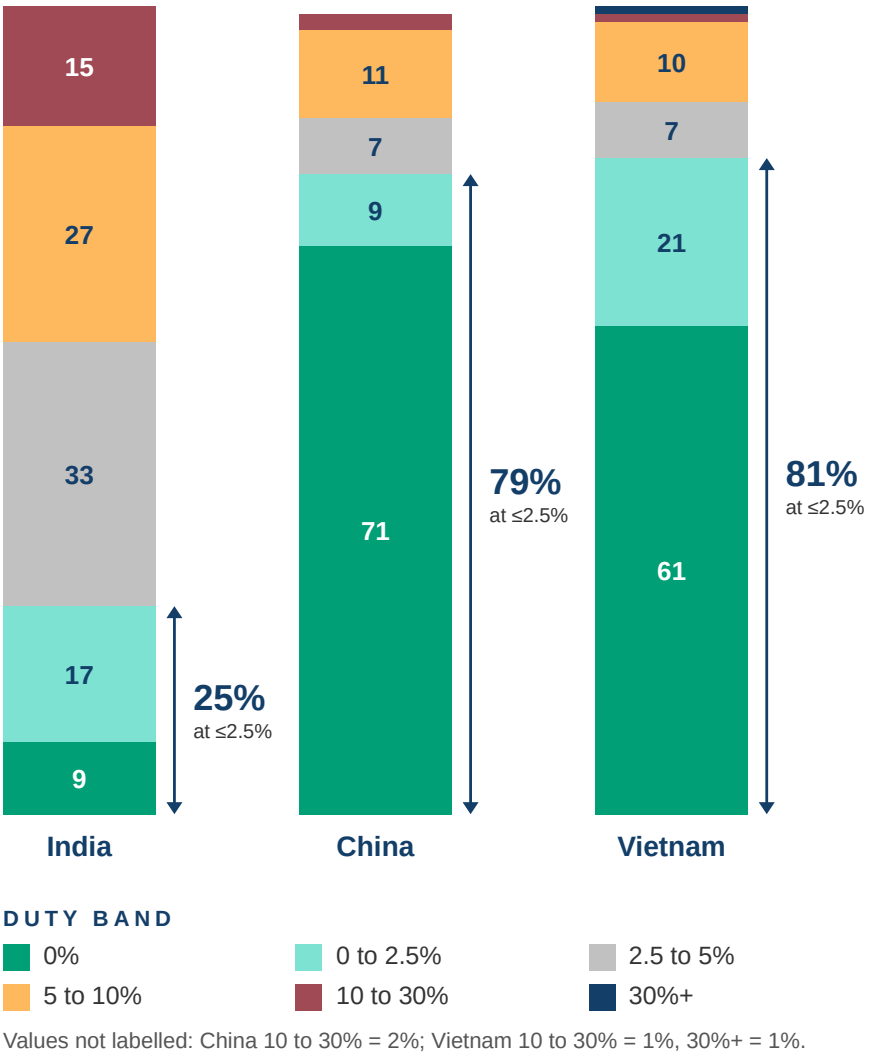
> Annexure 3 provides another way of looking at the gap, by looking at where every globally traded product, and not just products that the three countries import, falls within India, Vietnam, and China's tariff band.

[17] Average effective duty is the average trade-weighted tariff rate that the importing country (India, China, or Vietnam) applies, using the lowest rate available to each source country, whether the standard customs duty or a free trade agreement rate, and weighting by global exports. It excludes agricultural products and cesses such as SWS and AIDC and does not account for duty-free treatment under special regimes such as customs bonded zones.

Only 25% of India's imports enter at a duty of 2.5% or less, compared with 79% of China's and 81% of Vietnam's

81% of imports in Vietnam and 79% in China happen at ≤ 2.5% duty vs 25% for India (see Figure 9).

Figure 9: % of imports entering the country at different duty bands (India, China, Vietnam)



Values not labelled: China 10 to 30% = 2%; Vietnam 10 to 30% = 1%, 30%+ = 1%.

Source: India: CUSTADA; Vietnam: Ministry of Industry and Trade (MOIT); China: General Administration of Customs China (GACC); UN Comtrade; ITC Trade Map; FED analysis

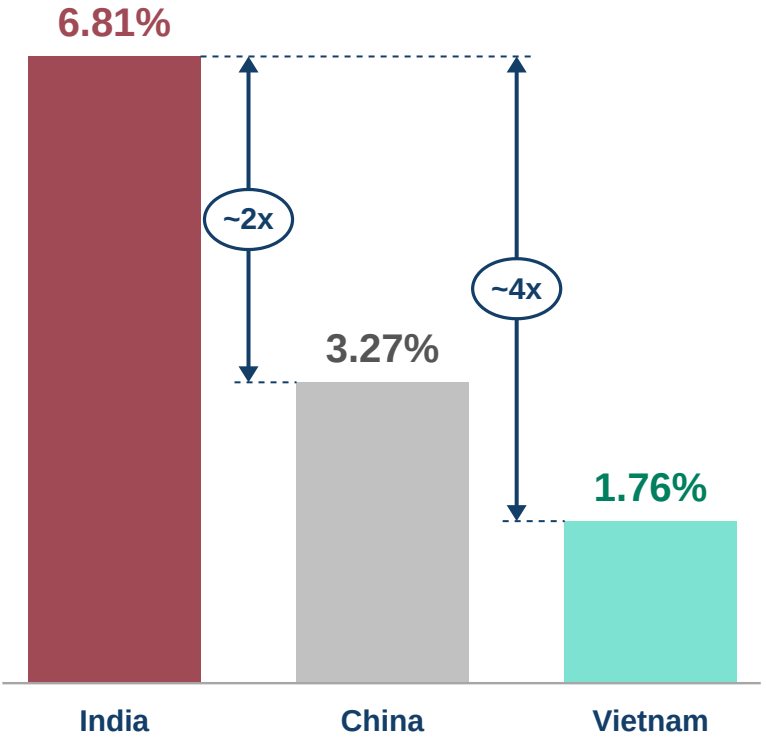
Notes:

- Tariff rates are the average effective duties excluding cesses.
- Except for the 0% band, tariff slabs x–y% are interpreted as (x, y]; they include y but not x; Analysis excludes Agriculture line items.
- Numbers may not add up to 100% due to rounding.

Input tariffs in India are 2–4x higher than China and Vietnam

India's tariffs for inputs at 6.81% are 2x higher than China's 3.27% and 4x higher than Vietnam's 1.76%[18] (see Figure 10).

Figure 10: Indian tariffs on manufacturing inputs are higher compared to competitors



Source: India: CUSTADA; Vietnam: Ministry of Industry and Trade (MOIT); China: General Administration of Customs China (GACC); UN Comtrade; ITC Trade Map; UNSD Broad Economic Categories (BEC) classification; FED analysis

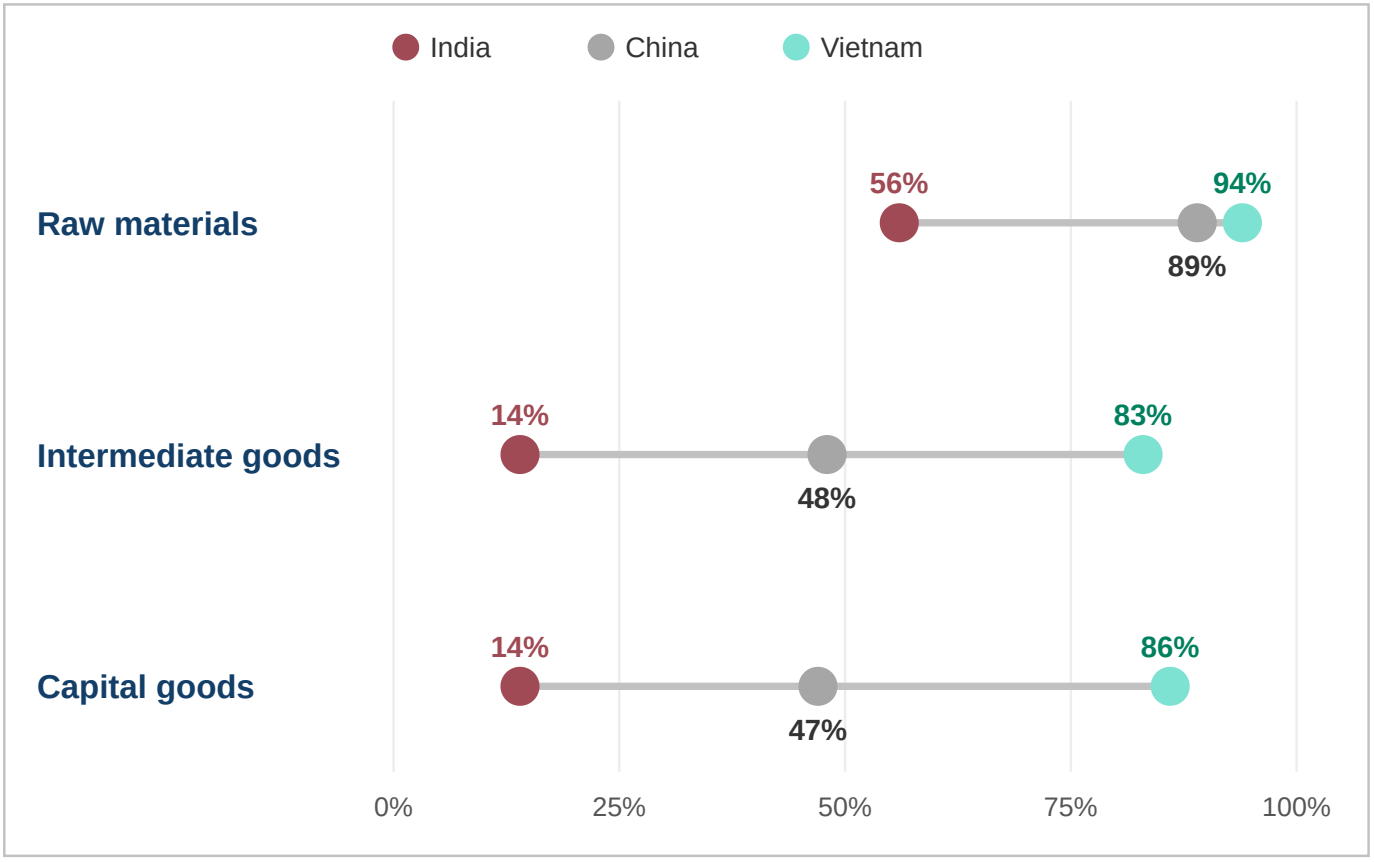
Note: Tariff rates are the average effective duties excluding cesses.

[18] Average effective input tariffs include raw material + intermediate + capital goods.

Only 14-56% of India's inputs are at a duty of 5% or less compared to 47-94% for China and Vietnam

Indian tariffs are higher across raw materials[19], intermediate goods[20], and capital goods[21](see Figure 11).

Figure 11: % of input tariff lines at ≤ 5% duty (India, China, Vietnam)



Source: India: CUSTADA; Vietnam: Ministry of Industry and Trade (MOIT); China: General Administration of Customs China (GACC); UN Comtrade; ITC Trade Map; UNSD BEC classification; FED analysis

Notes:

- Except for the 0% band, tariff slabs x–y% are interpreted as (x, y]; they include y but not x.

[19] Raw material: Unprocessed or minimally processed; e.g. Salt; sulphur; earths and stone; plastering materials, lime and cement (Ch. 25).

[20] Intermediate Good: Partially processed, used further in production; e.g. Rubber & articles thereof (Ch 40).

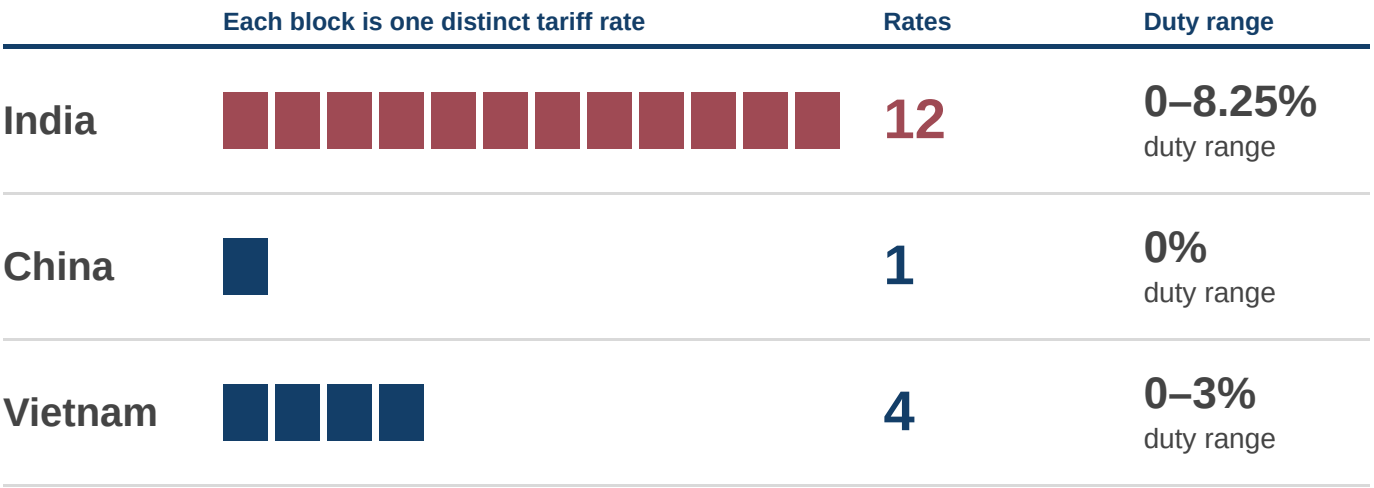
[21] Capital Good: Used for production of other goods/services. Does not get consumed in the production process; e.g. Nuclear reactors, boilers, machinery and mechanical appliances (Select HS line items in Ch 84).

India's complex tariff regime – 44 distinct tariff rates (including cesses) – adds to loss of competitiveness by causing disputes, delays and uncertainty

While India has only 10 notified Basic Customs Duty (BCD) rates for non-Agriculture items, the number of applicable rates jumps to 44 if cesses and surcharges like Agriculture Infrastructure and Development Cess (AIDC)[22] and Social Welfare Surcharge (SWS)[23] are also considered. Annexure 4 provides more details on how 10 notified BCD rates multiply to 44 applicable rates once cesses are included.

On the face of it, China and Vietnam also have many distinct tariff rates – 36 and 33 respectively. However, **China needs only 1 rate to cover 70% of its imports[24], and Vietnam only 4. In contrast, India needs 12 rates** (see Figure 12). This is without considering Free Trade Agreements (FTAs).

Figure 12: Unique applicable tariff rates to cover most liberal 70% of imports (without considering FTAs)



Source: India: CUSTADA; Vietnam: Ministry of Industry and Trade (MOIT); China: General Administration of Customs China (GACC); UN Comtrade; FED analysis

Note:

- Analysis excludes Agricultural line items.
- Rate count is at the HS8 level.
- Count of rates excludes rates defined as price per quantity.

[22] AIDC is applied to ~5% HS codes and has 15 unique rates ranging from 0.4% to 100%.

[23] SWS is computed as 10% of BCD and is applied to ~86% of line items.

[24] Most liberal 70% of imports refers to the set of commodities subjected to the lowest tariff rates while accounting for 70% of the value of the country's total imports.

Complexity rises further when HS8 products within the same HS6 product category attract different tariffs

Across India's tariff schedules, 127 HS6 categories contain 2 different rates at the HS8 level, and 10 HS6 categories contain 3. Around 20% of India's imports are classified under the "others" code.

Illustrative example: Different duty rates within the same HS6 category and unclear descriptions

HS6 911430

Dials

2 different rates within one HS6 code

91143010 — **5.5%**
For watches

91143020 — **11.0%**
For clocks

HS6 844399

Printing machinery...

3 different rates within one HS6 code

84439940 — **0.0%**
Other parts of copying machines

84439951 — **11.0%**
Cartridges or toners, with print head assembly

84439960 — **8.25%**
Parts and accessories of goods of sub-heading 8443 39

HS6 852910

Aerials and aerial reflectors...

3 different rates within one HS6 code

85291022 — **8.25%**
For amateur radio communication equipment

85291019 — **11.0%**
(Other) Dish antenna

85291099 — **16.50%**
(Others) (Others) Aerials and Aerial Reflectors

Source: CUSTADA; FED analysis. **Note:** Analysis excludes Agricultural line items; rates shown are BCD + cess.

Complexity due to multiple rates drives customs disputes over classification.

~60%
of disputes at the customs level are classification related.[25]

90%+
of classification disputes that reach appellate or courts are ruled in favour of the industry.[26]

~2x to 3x
more time for import clearance in India than in China and Vietnam.[27]

[25] Based on government and industry stakeholder conversations (former heads of customs at several ports, former CESTAT tribunal member).

[26] Based on a sample of 133 customs-related cases filed across CESTAT, High Courts and the Supreme Court between 2020 and 2025.

[27] According to the National Time Release Study 2025 released by the Central Board of Indirect Taxes and Customs (CBIC), the average import customs release time in 2025 stood at 79 hours at Indian seaports, 83 hours at Inland Container Depots (ICDs), and 39 hours at Air Cargo Complexes (ACCs). By comparison, China's State Council Information Office reported an average import clearance time of 32 hours across all modes in 2022, while Vietnam's General Department of Vietnam Customs (GDVC) reported 54.8 hours across all modes in 2020.

CASE STUDY 4

Amba River Coke Ltd v. Principal Commissioner of Customs (Preventive), CESTAT Mumbai, 3 June 2022[28]

A classification dispute at the HS8 level has locked up INR 69 Cr of a company's working capital for nearly 10 years.

INR 69 Cr

in differential duty stuck in litigation for nearly 10 years

30 November 2016
Initial Customs order for countervailing duty payment

3 June 2022
CESTAT decision in favour of Amba River Coke

14 October 2022
Customs appeal against CESTAT admitted in Supreme Court

Still pending
Supreme Court hearing[29]

THE DISPUTE

Amba River Coke is part of the JSW group. The dispute involved imports of ~943,000 MT of iron ore fines, valued at ~INR 526 crore. The goods were imported as raw material for Amba's pellet plant.

Amba River Coke classified the imports as iron ore fines (HS 26011131), which qualified for a Countervailing Duty (CVD)[30] exemption. Customs said they were iron ore concentrate (HS 26011150), which did not qualify for exemption.

Amba River Coke deposited ~INR 69 crore in differential Countervailing Duty (CVD) under protest to secure the release of its consignments by customs, subsequently challenging the classification before CESTAT.

WHAT CESTAT HELD

Ruled in favour of Amba River Coke. Crushing and screening ore doesn't remove foreign matter, so the goods were not a concentrate. CESTAT also rejected Customs' argument that the goods were concentrate because they could be fed straight into pellet-making.

RESOLUTION STATUS

Customs has appealed against the CESTAT decision, and the appeal has been admitted in the Supreme Court, pending for final hearing.

WORKING CAPITAL STUCK

While Amba River Coke's operations were allowed to continue, meaning that the consignments in question were released by Customs, the ~INR 69 crore in differential CVD initially deposited by Amba River Coke with Customs remains stuck due to ongoing litigation.

KEY TAKEAWAY

India's tariff complexity means that even small differences in product specifications can produce a materially different duty outcome, widening the scope for misclassification, disputes, and delays in clearances at the border.

[28] CESTAT ruling on Amba River vs Principal Commissioner of Customs (Customs Appeal No: 85365 of 2017). [29] Supreme Court records on Amba River vs Principal Commissioner of Customs (Civil Appeal Diary Number 27990/2022). [30] Countervailing Duty is an additional import tariff charged by government to neutralize unfair price advantages created by foreign government subsidies.

FOUNDATION FOR ECONOMIC DEVELOPMENT

SECTION 3

Case-by-case tariff exemption and trade enabling schemes like SEZs are insufficient to restore export competitiveness

IN THIS SECTION

3.1 Case-by-case tariff exemption inadvertently leads to duty inversions and denies manufacturing ecosystems the policy stability they need

3.2 Each trade enabling scheme has its own limitations, so tariff relief remains marginal

3.3 Given modern product complexity, tariff exemptions and special schemes will remain inadequate

Case-by-case tariff exemption inadvertently leads to duty inversions and denies manufacturing ecosystems the policy stability they need

Competitiveness concerns are typically addressed through targeted exemptions or preferential rates on specific finished goods. While well intentioned, these adjustments alter duty relationships along the value chain, creating conditions under which duty inversions emerge.

CASE STUDY 5

Electronics manufacturing equipment (duty exemption on finished good but duties remain on components)

To support electronics manufacturing, the government exempted machines used to produce and test electronic products from import duty. But the components needed to build that same machine in India still carry an 8-14% average effective duty. As a result, companies find it cheaper to import the fully built machine rather than to import the components and build the machine in India.

	Product	Basic Customs Duty	Average Effective Duty
Finished Good	Automated Assembly / testing equipment HSN: 84798999	0%	0%
Components (Non-Exhaustive)	Plastic / Rubber Belts & Components HSN: 39269029	15%	14%
	Fasteners & VGA Cables HSN: 73182910	15%	13%
	Adhesives (Glues) HSN: 35069190	10%	10%
	Light Source Controllers & Polarizers HSN: 90069900	10%	8%

Source: India: CUSTADA; ITC Trade Map; UNSD BEC classification; FED analysis

Note: Notification by Ministry of Finance (dated 23/2/2025) exempts the HS code for mobile manufacturing capital good equipment.

KEY TAKEAWAY

A tariff exemption on a finished product, unless accompanied by an exemption on all its inputs, generates duty inversions. Because modern products draw on thousands of inputs, identifying each input and notifying an exemption for it becomes extremely difficult.

KEY TAKEAWAY

Beyond creating inversions, frequent case-by-case changes do not give investors the stable, long-term signals that large manufacturing ecosystems need.

Each trade enabling scheme has its own limitations, so tariff relief remains marginal

Special trade enabling schemes such as Special Economic Zones (SEZs), Export Oriented Units (EOUs), Manufacturing and Other Operations in Warehouse Regulations (MOOWR), along with tariff remission schemes such as Advance Authorisation (AA) reflect a policy intent to ensure that India's tariff structures do not become a binding constraint on India's export potential.

Each scheme, however, has its own key limitation[31].

SEZ

SEZs do not permit level playing field access to the Indian market.

MOOWR

MOOWR does not permit depreciation of capital goods.

EOU

EOUs must pay GST upfront on domestic procurement and then claim refund, blocking working capital.

AA

AA relies on outdated standard input-output norms (SION), which limit duty benefit for modern inputs.

Outcome is that tariff relief remains marginal.

SEZs have accounted for ~20% of India's exports over FY23-25 (see Table 3).

Table 3: SEZ exports as a share of India's total exports (merchandise and services) have been stagnant

Year	Total Indian exports (USD Bn)	Total SEZ exports (USD Bn)	SEZ share
FY23	776	156	**20%**
FY24	778	157	**20%**
FY25	825	177	**21%**

Source: EPCES Trade Bulletin, PIB Press Release; FED analysis

[31] Refer to Annexure 5 for details on operational challenges faced by exporters in each scheme.

EOUs have accounted for ~4% of India's merchandise exports over FY23-25 (see Table 4).

Table 4: EOU exports as a share of India's total merchandise exports have been stagnant

Year	Total Indian merchandise exports (USD Bn)	Total EOU merchandise exports (USD Bn)	EOU share
FY23	451	18	4%
FY24	437	18	4%
FY25	438	18	4%

Source: EPCES Trade Bulletin, PIB Press Release; FED analysis

Note: For EOUs, only merchandise export numbers are published, therefore, comparison is limited to merchandise exports.

Advance Authorisation covered ~6% of India's total non-petroleum merchandise imports over FY23-25 (see Table 5).

Table 5: Imports under AA as a share of India's total non-petroleum merchandise imports have been stagnant

Year	Total Indian non-petroleum merchandise imports (USD Bn)	Imports under AA (USD Bn)	AA share
FY23	506	30	6%
FY24	499	35	7%
FY25	534	34	6%

Source: Annual MIS Report on Export Promotion Schemes 2025 DGFT, Economic Survey 2025-26 Statistical Appendix, PIB Press Release; FED analysis

Note: The Advance Authorisation scheme is designed primarily for allowing duty-free import of inputs which are physically incorporated in an export product. Therefore, comparison is done against non-petroleum merchandise imports.

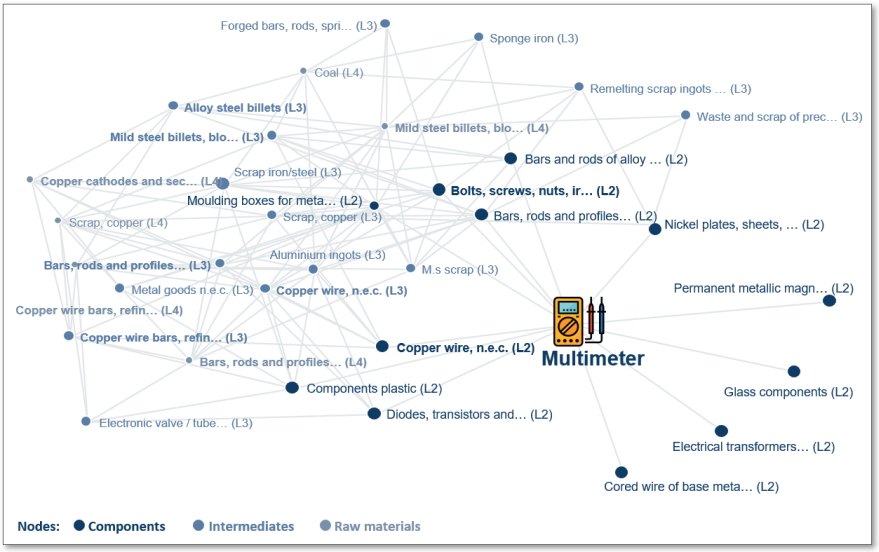
MOOWR Production and export numbers for MOOWR units are not publicly disclosed.

Given modern product complexity, tariff exemptions and special schemes will remain inadequate

Let's take the example of the simple multimeter, a handheld test tool used to measure electrical properties like voltage and current.

A multimeter's supply chain extends to 3,000+ inputs, once we include inputs used by factories further up the chain: the factories making components, the factories making the intermediates for those components, and the producers of the raw materials for those intermediates (see Figure 13).

Figure 13: 3,000+ inputs go into a multimeter once supplier factories are counted



INPUTS BY TIER

65
components

1,437
intermediates

2,209
raw materials

Source: Annual Survey of Industries 2023-24 MoSPI; CUSTADA; FED analysis

Figure 14: Every input tier is taxed more than the final product (average effective duty)



KEY TAKEAWAY

The multimeter is a relatively simple product. More complex products draw on thousands more inputs. Case-by-case exemptions cannot realistically cover every input in supply chains this large. Trade enabling schemes don't solve for this either. Not every component maker can or will be part of those schemes. A low, broadly uniform tariff across raw materials, intermediates, capital goods and final products removes the inversion at its source, without depending on exemptions or zone-based workarounds.

FOUNDATION FOR ECONOMIC DEVELOPMENT

SECTION 4

Tariff policy should be designed around export competitiveness with simplicity as a key objective

1 Tariff policy should be designed for export competitiveness

In an integrated manufacturing economy, tariffs imposed on one product become input costs for another. Every output is also another firm's raw material, intermediate good, capital good, or business input. Even finished goods like computers and laptops are inputs for service exporting firms!

Tariff policy must therefore recognize the interconnectedness of manufacturing supply chains from the perspective of downstream firms competing in global markets.

KEY TAKEAWAY

The default objective should be to have low and stable tariff rates across the board, with as many products at the zero tariff rate as possible.

2 Simplicity should be a key regulatory objective

Classification ambiguity is unavoidable in a modern economy where products evolve quickly and often combine multiple functions. But ambiguity becomes important only when similar products face materially different duty rates.

Large rate differentials raise the stakes of classification, encourage disputes, and slow clearance. To its credit, this principle has been understood and applied by the Government of India for the recent GST reforms. Extending the same treatment to global inputs is critical for India's competitiveness in today's world.

KEY TAKEAWAY

Reduce the number of applicable rates and limit variation within closely related product categories.

FOUNDATION FOR ECONOMIC DEVELOPMENT

SECTION 5

A three-phase approach can take India to a globally competitive and simpler 3-rate regime

The three-phase approach first simplifies India's tariff structure, and then progressively lowers tariffs, giving the industry predictability and time to adjust at each step.

PHASE 1 · 1–2 YEARS

Simplify 44 applicable rates to 9

Simplify the rate structure by consolidating the 44 applicable tariff rates into 9 rates.

Each applicable rate moves down to the lower bound of its band (for example, all rates from 10% to below 15% become 10%), so no product faces a higher duty and India's simple average duty[32] falls from 12.7% to 10.9% (see Annexure 6).

As part of this consolidation:

- **End rate variation within product categories:** products of a similar nature should carry the same rate.
- **Eliminate duty inversions at all levels:** no input should carry a higher rate than the product it goes into.

PHASE 2 · 2–4 YEARS

Move inputs to 5% or less

Bring input tariffs to 5% or less, and most to zero.

India's average tariff on inputs (raw materials, intermediates and capital goods) is 6.81%, 2x China's 3.27% and 4x Vietnam's 1.76%. Moving inputs to 5% or less helps close the gap.

Additionally, as part of this phase, further consolidate 9 rates achieved in Phase 1 to 5.

- Do this by bringing the 15% and 20% rates to 10%; 35% and 40% rates to 25%; 70% and 110% rates to 50%.
- At the end of this exercise, only 5 rates (incl. of cess) remain: 0, 5, 10, 25, 50.

PHASE 3 · 5+ YEARS

Simple 3 rate regime (incl. cess): 0%; 5%; 7.5%

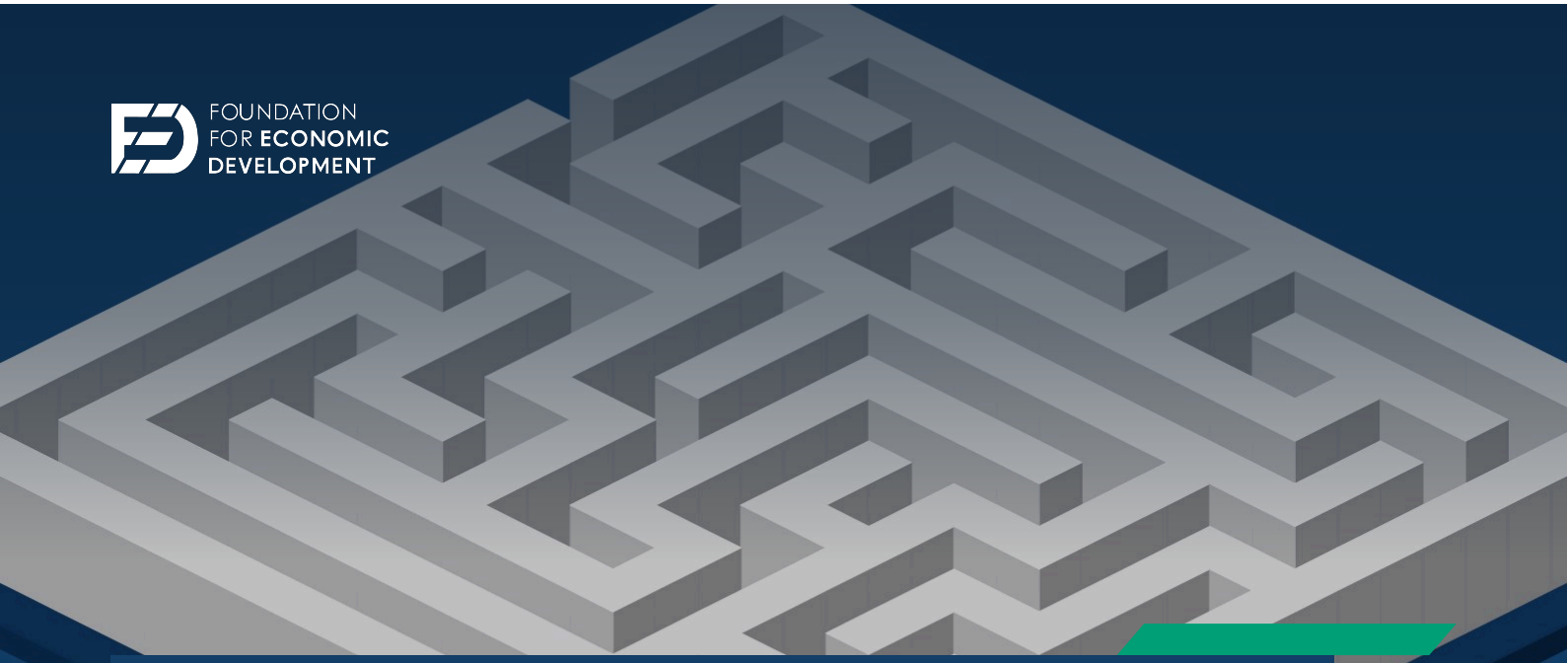
Settle on a simple 3-rate regime: 0%, 5% and 7.5% (incl. of cess).

Further consolidate the 5 rates achieved in Phase 2 into 3 rates.

- Additionally, as part of this phase, target that 60%+ of all imports enter India duty-free.
- Also, ensure similar products have the same tariff rate.

Annexure 6 provides the methodology for consolidating 44 applicable rates into 9 rates.

[32] Simple average duty is HS8 line-level average of applicable rates i.e., BCD plus cesses; excluding agriculture-related HS8 lines. This average does not involve any trade weighting and does not consider FTA rates.



FOUNDATION FOR ECONOMIC DEVELOPMENT

SECTION 6

Addressing common objections to tariff reduction and rationalization

IN THIS SECTION

#1 Lowering tariffs would reduce government revenue at a time of limited fiscal space

#2 Lowering tariffs would harm India's manufacturing and industrial capability, especially in strategic sectors

#3 Indian exporters are already eligible for tariff exemptions or refunds through various mechanisms – so tariff policy should not impact exports

#4 Lowering tariffs will allow China to flood the Indian market with cheap imports and expose domestic industry to unfair competition

#5 India is signing FTAs with UK, EU, potentially US and others, so tariff rates with major economies will come down automatically

OBJECTION #1

Lowering tariffs would reduce government revenue at a time of limited fiscal space

A key objection against lowering tariffs is that it would have an immediate fiscal impact in the form of lower customs duty collections. In FY26, customs duty collections amounted to INR 2.58 lakh crore[33] or USD 29.32 Bn[34], ~6% of the central government's total gross direct and indirect tax collection.

High tariffs, particularly on inputs, have a distortionary effect because they increase manufacturing costs and make Indian manufacturing globally uncompetitive. This not only holds back growth and prosperity but also costs the government the additional tax revenue that greater economic activity would generate.

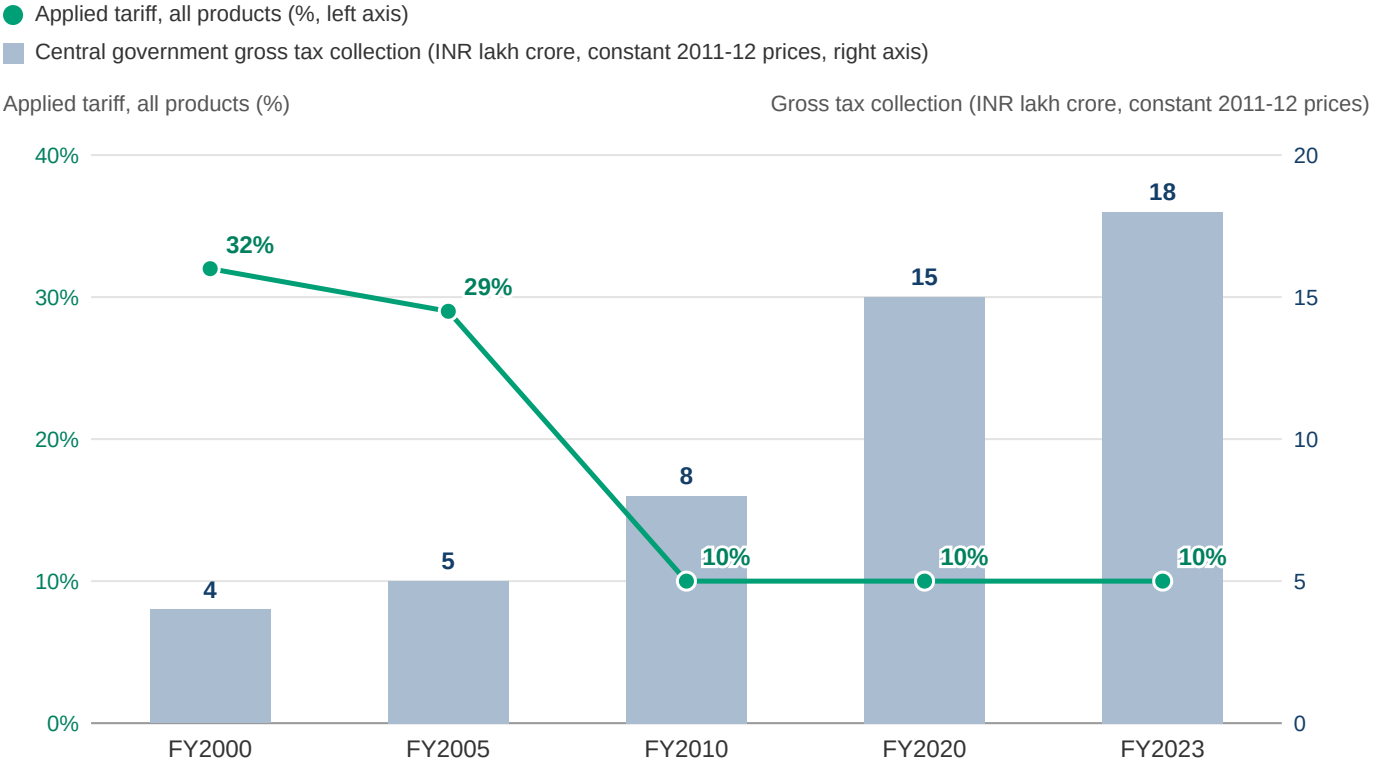
Global experience has shown us that low tariffs drive competitiveness and exports. This in turn drives domestic production, creates jobs and generates economic growth. Manufacturing export-led growth has been the hallmark of countries that have grown rapidly. Vietnam is one such example.

Vietnam's merchandise trade as a % of gross domestic product (GDP) increased from 137% in 2015 to 180% in 2025[35]. During the same period, GDP per capita increased 65%, from ~USD 2,600 to ~USD 4,300[36], becoming nearly 2x that of India in 2025. Low tariffs have contributed to this. As seen in this report, Vietnam's average effective duty on all non-agricultural products is one-third that of India.

Low tariffs contribute to greater economic activity, which then contributes to additional tax revenue. Our experience at home shows that lowering tariffs does not hurt tax collection; instead, it increases it. Over the last 2 decades, while the average tariff we apply on all goods has reduced from 32% to 10%, the central government's gross direct and indirect tax collections have increased ~5x, from ~INR 4 lakh crore in FY2000 to ~INR 18 lakh crore in FY2023 (see Figure 15).

[33] The Hindu, "Govt exceeds FY26 collection estimate of INR 15.52 lakh crore", April 2026.
[34] Exchange rate of USD 1 = INR 88 is used.
[35] World Bank, Merchandise trade (% of GDP).
[36] World Bank, GDP per capita (constant 2015 USD).

Figure 15: In the last 2 decades, central government's gross tax collections have increased 5x as average tariffs have reduced from 32% to 10%



Source: MoSPI; NITI Aayog; World Bank, World Development Indicators; FED analysis

Notes:

- Tariff rate is the simple (unweighted) mean of effectively applied rates across all traded goods (including food, raw materials and manufactured goods).
- Tax collections are the central government's gross direct and indirect tax collections, in constant 2011-12 prices.

GST rationalization is another case in point. Collections have grown as rates have reduced.

In September 2025, the main GST slabs were reduced. The 12% and 28% rates were removed, reducing the number of slabs from 5 (0%, 5%, 12%, 18% and 28%) to 3 (0%, 5% and 18%)[37]. Despite lower rates on most goods, gross GST collection for April to August 2026 was 11% higher than in the same period in 2025[38].

KEY TAKEAWAY

Lower tariffs need not mean lower revenue. Our calculations show that over the next decade, one additional percentage point of real GDP growth a year would generate enough tax revenue to cover the customs revenue forgone[39]. Lower tariffs could well deliver more growth than that.

[37] PIB (30 Jun 2026; 4 Sep 2025); GST Council, 56th meeting (3 Sep 2025).

[38] Goods and Services Tax Network (GSTN) monthly GST revenue reports (Mar 2026, Aug 2026).

[39] We estimated the customs revenue forgone from tariff rationalization and projected the Government of India's tax collections over the next decade. Assuming a constant tax-to-GDP ratio, a 1 percentage point acceleration in GDP growth post-rationalization yields the same cumulative real revenue as a 7.8% year-on-year growth trajectory under the current tariff regime.

OBJECTION #2

Lowering tariffs would harm India's manufacturing and industrial capability, especially in strategic sectors

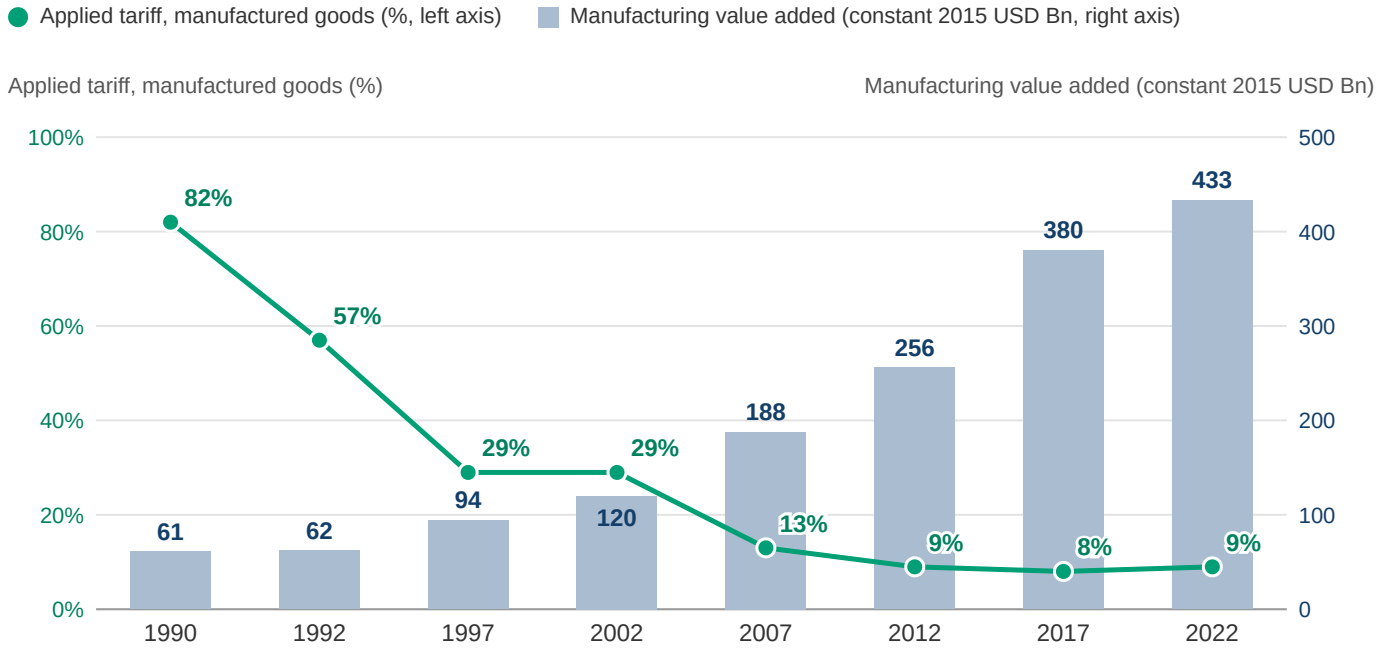
A common rationale for keeping tariffs high is to encourage domestic manufacturing. However, the Indian market is simply not large enough to support the rapid and sustained growth needed to achieve India's Viksit Bharat ambition.

When firms are insulated from competition for extended periods, the pressure to improve productivity, reduce costs, innovate, or respond to consumer needs weakens. The resulting loss of efficiency directly impacts the Indian economy.

We have had sufficient evidence of this for the first 50 years after independence, when India had very high tariffs, but failed to develop a competitive manufacturing sector, causing growth in India to be much slower than competing countries that were oriented to the world market instead of their own domestic markets.

Starting from 1991, lowering of tariffs caused some inefficient producers to shut down, but overall Indian manufacturing expanded substantially and became much more productive and competitive.

Figure 16: Post 1991, manufacturing in India has grown 7x as average tariffs on manufactured goods have reduced from 82% to 9%



Source: World Bank, World Development Indicators; FED analysis

Notes:

- Selected years shown: 1990, 1992, then every five years to 2022.
- Tariff rate is the simple (unweighted) mean of effectively applied rates across manufactured goods (SITC Rev. 3 sections 5–8 (chemicals, steel and textiles, machinery and vehicles, and other manufactured goods such as clothing and furniture), excluding division 68 (non-ferrous metals).
- Manufacturing value added is in constant 2015 USD.

Another argument in favour of high tariffs is that strategic sectors such as Steel, Chemicals, Semiconductors and Electronics Components need to be domestically manufactured to prevent dependence.

However, protection in these strategic sectors is more damaging than exposure to competition, and different strategies must be found.

These sectors are strategic mainly because so many other downstream sectors are dependent on them. Under protection, however, the rest of the economy faces higher prices, fewer choices, and less innovation, resulting in slower access to better-quality products, leaving us always playing catch up with the world. Protection for one segment of industry, therefore, becomes a tax on the entire economy.

If there is a necessity to build capability in a strategic sector, direct support in the form of production-linked incentives (PLI) or other R&D support will work better. India's experience with its electronics sector, where tariff reduction and rationalization, together with PLI incentives, helped the sector grow, supports this.

We should not aim to build everything ourselves either. Geopolitical alliances can help ensure that strategic supply chain security and resilience is available in other ways than having to spread ourselves thin across every sector, which will in any case result in loss of strategic capability.

The Economic Survey of India 2025-26 makes the same point.

> **"not all import substitution is desirable, and not all forms of protection support long-term competitiveness"**
>
> and that where "global supply is diversified or where domestic substitution would impose high economy-wide costs relative to strategic benefits… risk may be better managed through diversified sourcing, inventory buffers, or contractual safeguards rather than domestic production"[40]
>
> ECONOMIC SURVEY OF INDIA 2025-26

KEY TAKEAWAY

The objective of tariff policy should be to build firms that can compete without permanent protection, not firms whose viability depends on it. Reducing and rationalizing tariffs, therefore, is not merely a trade-policy reform but a way to restore competitive discipline and ensure that domestic industry grows through capability rather than insulation.

[40] Chapter 16 of the Economic Survey of India 2025-26.

OBJECTION #3

Indian exporters are already eligible for tariff exemptions or refunds through various mechanisms – so tariff policy should not impact exports

The argument is that, since exporters can access exemptions, deferments, or refunds, the broader tariff structure should not materially affect export competitiveness.

This assumes that exporters operate in a separate policy universe from domestic manufacturers. Few firms setting up in India build factories only for export. The same plant, suppliers, machinery, and workforce usually serve both domestic and export markets. As detailed in Section 3 of this report, scheme-based relief often requires firms to separate production, location, documentation, and compliance according to whether goods are sold abroad or at home. The result is a policy architecture in which firms must work around tariff policy architecture. As discussed earlier in this report, the schemes also bring operational challenges of their own.

Global competitiveness depends not only on whether tariff relief exists, but on the cost, time, certainty and flexibility involved in obtaining it. A manufacturer in a low-tariff country does not have to decide whether to locate in an SEZ, operate under MOOWR, comply with EOU norms or seek Advance Authorisation simply to neutralize input duties. An Indian manufacturer does.

KEY TAKEAWAY

A tariff regime that first creates a competitiveness problem and then asks firms to solve it through scheme-based workarounds imposes avoidable costs on industry.

OBJECTION #4

Lowering tariffs will allow China to flood the Indian market with cheap imports and expose domestic industry to unfair competition

Around 90% of India's imports from China are raw materials, intermediate goods, and capital goods[41]. In other words, most Chinese imports are inputs used by Indian manufacturers to produce and export.

Low-cost Chinese inputs can, in many sectors, help Indian manufacturers become more competitive. If India raises tariffs broadly in response to concerns about China, it may reduce some imports, but it will also raise costs for Indian manufacturers who rely on these inputs. The result can be counterproductive: in trying to protect a few domestic firms, we will make the rest of Indian manufacturing less competitive.

The Steel case study in Section 2 shows the scale of the trade-off. Import duties of 20% and QCOs make steel at least that much costlier for Indian manufacturers than for Chinese manufacturers. Protecting a domestic steel industry worth USD 100 Bn raises costs for downstream sectors (railways, aviation, shipping, engineering and capital goods, auto and auto components) that compete in a USD 8.8 trillion global market.

KEY TAKEAWAY

The appropriate policy response is therefore not blanket protection, but a calibrated diversification strategy. We can identify products where excessive dependence on China creates strategic vulnerability and actively diversify sourcing toward alternative suppliers.

[41] Source: UN Comtrade, FED analysis.

OBJECTION #5

India is signing FTAs with UK, EU, potentially US and others, so tariff rates with major economies will come down automatically

The argument is that preferential tariff reductions under these agreements will gradually reduce input costs and make broader tariff reform less urgent.

There is merit to this argument, as demonstrated by Vietnam. However, even excluding its extensive FTA network, 64% of Vietnam's imports enter at a duty rate of 2.5% or less. See Annexure 7 for more details.

Vietnam's example tells us that while FTAs are helpful in reducing tariffs, they are not a substitute for unilateral tariff reduction.

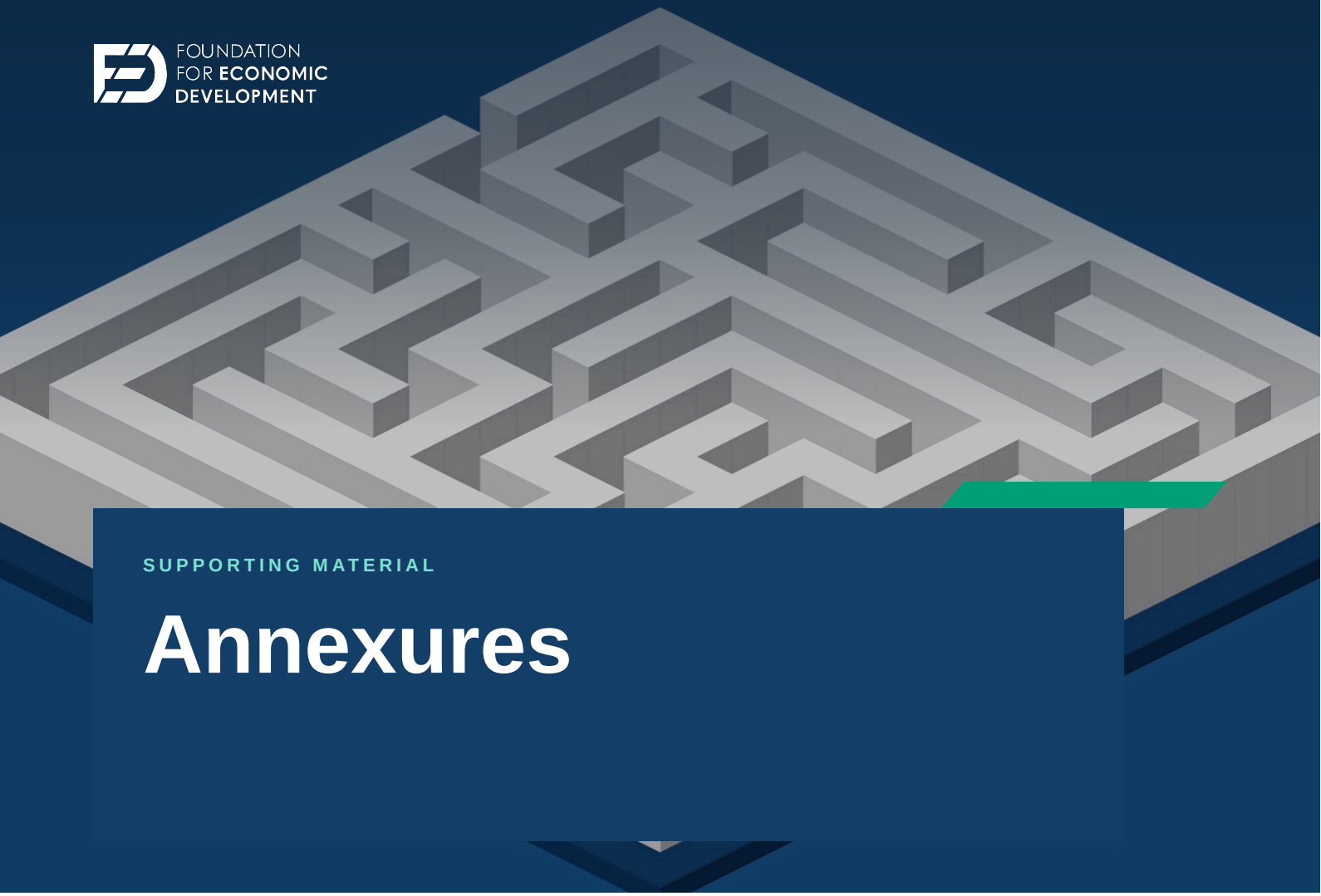
FTA benefits are slow to materialize. Even where an FTA exists, tariff preferences are not automatically available. Firms must comply with rules of origin and other documentation and certification requirements to claim preferential treatment. These requirements are especially difficult in complex supply chains, where inputs move across multiple jurisdictions before reaching the final manufacturer.

FTAs also take time to negotiate, sign, ratify, and implement. Even after signing, tariff reductions are often phased over several years and may exclude critical products. For firms making investment decisions today, future FTA preferences cannot substitute for immediate certainty on input costs.

KEY TAKEAWAY

Tariff reduction and rationalization make Indian manufacturing competitive immediately and across the board, without requiring firms to restructure sourcing decisions around FTA eligibility or wait for future trade agreements to take effect. FTAs should therefore be viewed as complementary to tariff reduction and rationalization, not as a substitute for it.

FOUNDATION FOR ECONOMIC DEVELOPMENT



SUPPORTING MATERIAL

Annexures

IN THIS PART

Annexure 1	Methodology: Calculating average effective duties
Annexure 2	Tariff comparison of 20 key inputs
Annexure 3	Cross-country comparison of where globally traded products fall within India, China, and Vietnam's tariff bands
Annexure 4	Notified BCD Rates and Applicable Tariff Rates (non-Agriculture)
Annexure 5	Scheme comparison – SEZ, EOU, MOOWR, and Advance Authorisation
Annexure 6	Rate Consolidation Methodology – A fragmented 44 rate structure consolidated into 9 rates
Annexure 7	Simple Average Duty Comparison: India, China, and Vietnam
	List of abbreviations

ANNEXURE 1

Methodology: Calculating average effective duties

01 Rationale

Headline Basic Customs Duty (BCD) rates do not fully capture the tariff burden that importing firms actually face, particularly in economies with multiple preferential trade agreements. In practice, firms import at the lowest rate available to them, either the BCD rate or a preferential rate under a free trade agreement (FTA), subject to rules of origin and compliance requirements. To capture the tariff rates that matter for manufacturing competitiveness, the study uses average effective duties which are trade-weighted tariff rates.

02 Approach to calculating average effective duties

For each country (India, China, and Vietnam), the average effective duty is calculated in two steps:

STEP 1 Calculate average effective duty for each HS8 product line

1 Identification of tariff rates per import partner country

For each import partner, the lowest available tariff rate is identified across:

- BCD rate
- All applicable FTAs (where the product is covered)

2 Selection of rate per import partner

The minimum rate across BCD and FTAs is treated as the tariff rate for imports from that partner.

3 Global export weighting

Each partner's tariff rate is weighted by the partner's global exports in that HS8 product. Because product codes are harmonized internationally only up to HS6, global exports are measured at HS6 and applied to all HS8 lines within it. We do not weight by India/China/Vietnam's own imports, because those are shaped by the tariffs themselves: a country imports more from partners facing low tariffs and less from those facing high ones, and a tariff high enough to stop imports altogether would receive almost no weight. Weighting by partners' global exports reflects each partner's capacity to supply the product largely independent of tariff.

02 Approach to calculating average effective duties CONTINUED

STEP 1 (CONTINUED) Calculate average effective duty for each HS8 product line

ILLUSTRATIVE EXAMPLE

The illustrative example demonstrates the above mechanics using a hypothetical commodity imported from multiple partners with different preferential access conditions. While the example uses India for illustration, the same methodology is applied consistently to China and Vietnam.

Consider this scenario: There are only 3 countries in the world exporting the commodity "HS12345678". India has 3 FTAs which cover 2 of the exporting countries. The average effective duty for each HS8 line is calculated as:

Exporting country	US	China	Vietnam
BCD Rate	10%	10%	10%
FTA 1	5%	5%	Not covered
FTA 2	Not covered	Not covered	Not covered
FTA 3	Not covered	2.5%	Not covered
Lowest rate for import partner	**5.0%**	**2.5%**	**10%**
Partner's exports to the world used as weights	**10,000**	**50,000**	**20,000**

→ **The average effective duty for "HS12345678" for India will be 4.69%**

STEP 2 Calculate average effective duty for India/China/Vietnam as a whole

Once we have the average effective duty for each HS8 product line that a country imports, we then calculate the average effective duty for the country, by averaging across all the HS8 product lines using each HS8 product's export share in global exports as weight.

This rate does not include applicable cesses such as Social Welfare Surcharge (SWS) and Agriculture Infrastructure and Development Cess (AIDC). It also does not account for duty-free treatment under special regimes such as customs bonded zones.

03 Data assumptions

TIME PERIOD CONSIDERATIONS

- The analysis accounts for budget and customs notifications until 31st August 2026.
- Tariff data for India is as on FY27, and for China and Vietnam is as on CY25.
- Import data for India is as on CY24 and China and Vietnam CY23. Export data for all countries is as on CY24.

04 Classification and mapping choices

- The calculation of average effective duty in this report includes only non-agricultural items. For India, this corresponds to 10,475 HS8 lines.
- Since trade and tariff rate data for countries were from different years, some HS codes which were either newly created or discontinued did not have corresponding trade values. In such cases, tariff rates from closely related 8-digit codes were mapped against the HS codes in question. Such codes constitute less than 0.5% of all codes, for all 3 countries – India, China, and Vietnam.
- We have not considered tariff lines where the rate is defined as a price per quantity (e.g., $X per kg) instead of a percentage; excluded lines as proportion of total lines are less than 0.02% for India, 0.3% for China, and 2.2% for Vietnam.
- For products with no recorded imports, we used the BCD rate as the effective rate.
- Throughout the calculation of average effective duties, we have considered the BCD at Schedule Rate, without accounting for any exemptions or duty-free imports in customs bonded zones.
- Categorization of country specific imports into Raw Materials, Intermediate Goods, Consumer Goods, Capital Goods etc. is done based on HS6 UNSD Broad Economic Categories (BEC) classification.

05 Data sources

- Tariff data: India: CUSTADA; Vietnam: Ministry of Industry and Trade (MOIT); China: General Administration of Customs China (GACC)
- FTA schedules: Official notifications and partner country schedules
- Import values: UN Comtrade
- Export values: ITC Trade Map
- HS classification: UNSD Broad Economic Categories (BEC) classification

ANNEXURE 2

Tariff comparison of 20 key inputs

Import duty on 20 key inputs (India, China, Vietnam)

India's average effective duty is higher than Vietnam's on all 20, and higher than China's on 19 inputs.

	Input	Major downstream uses	India effective duty	China effective duty	Vietnam effective duty
METALS	**Steel (hot-rolled coil)**	Auto bodies, pipes and tubes, construction steel, rail wagons	14	3	0
	Steel (bar)	Construction rebar, auto components, fasteners, machinery parts	14	3	0
	Steel (stainless)	Kitchenware, appliances, process equipment, railway coaches	13	0	0
	Aluminium ingot	Construction extrusions, auto wheels, packaging foil, power cables	7	2	1
	Refined copper / cathode	Wires and cables, transformers and motors, power equipment	4	0	0
POLYMERS	**LDPE / LLDPE**	Packaging films, bags, agricultural film	7	6	0
	Polypropylene	Woven sacks, BOPP packaging, auto interiors and bumpers	7	6	1
	HDPE	Water, gas and telecom pipes, containers, bottles	14	8	2
	PVC	Pipes and fittings, window profiles, cable insulation	9	6	3
	PET chips	Beverage and water bottles, food packaging, films	7	5	1
	Polystyrene	Appliance parts, thermal insulation, packaging foam	7	6	2
FIBRES	**Polyester staple fibre (PSF)**	Spun yarn for apparel, home furnishings, nonwovens	5	4	0
	Viscose staple fibre (VSF)	Apparel fabrics, blended yarns, wipes and nonwovens	1	1	0
CHEMICALS	**Soda ash**	Container glass, flat glass, detergents	7	5	1
MACHINERY	**Misc. industrial machines**	Special-purpose machinery for packaging, printing, food processing etc.	6	0	0
	Non-optical measuring tools	Flow, pressure and level gauges, test and inspection equipment	12	0	0
	Automatic process controllers	Plant automation in refineries, chemicals, power and water	10	6	0
	Gas/air filtration equipment	Dust collectors, air pollution control, cleanrooms, HVAC	7	4	0
	Liquid filtration equipment	Water and effluent treatment, chemical and food processing	7	4	0
	Heating/cooling equipment	Industrial furnaces, dryers, heat exchangers, chillers	6	0	0

Source: India: CUSTADA; Vietnam: Ministry of Industry and Trade (MOIT); China: General Administration of Customs China (GACC); ITC Trade Map; FED analysis

Notes:

- Tariff rate is the average effective duty; excludes cesses.
- Tariff data for India is for FY27 and CY25 for China and Vietnam.

ANNEXURE 3

Cross-country comparison of where globally traded products fall within India, China, and Vietnam's tariff bands

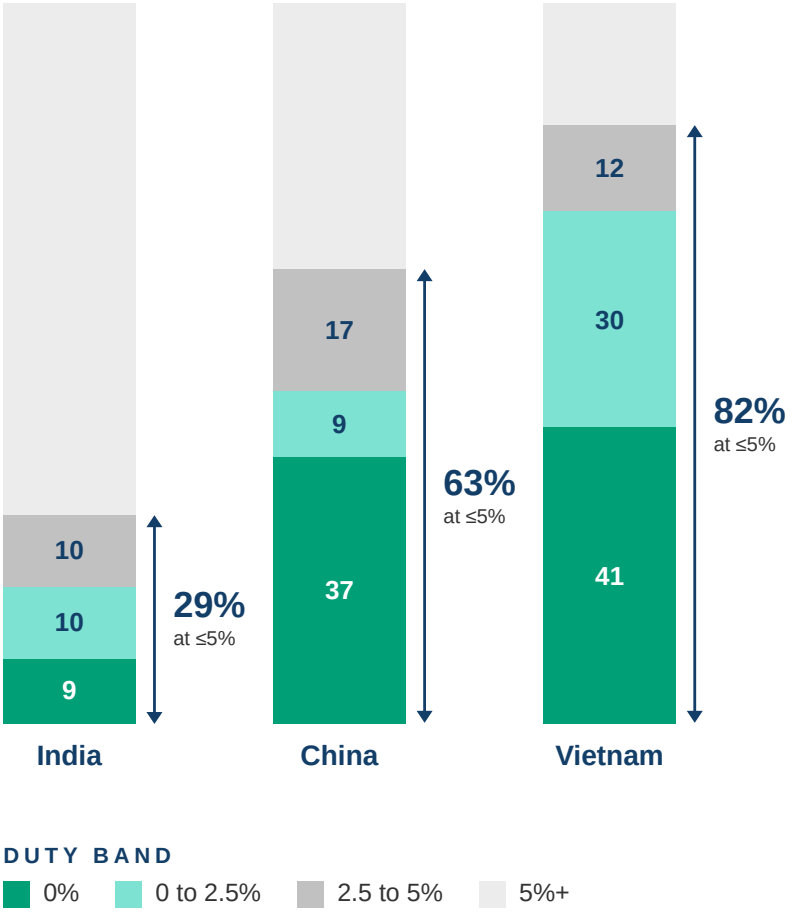
Only 29% of global trade can be imported into India at a duty of 5% or less, compared with 63% for China and 82% for Vietnam.

29%

of global trade can be imported into India at a duty of 5% or less

This is if we look at where every product traded globally falls within a country's tariff bands, and not just the products a country actually imports (see Figure 16).

Figure 17: % of global trade that can be accessed across tariff slabs (India, China, Vietnam)



Source: India: CUSTADA; Vietnam: Ministry of Industry and Trade (MOIT); China: General Administration of Customs China (GACC); UN Comtrade; ITC Trade Map; FED analysis

Notes:

- Tariff rates are average effective duties.
- Except for the 0% band, tariff slabs x–y% are interpreted as (x, y]; they include y but not x.
- Numbers may not add up to 100% in specific cases due to rounding.
- Analysis excludes Agricultural line items.

ANNEXURE 4

Notified BCD Rates and Applicable Tariff Rates (non-Agriculture)

BCD Tariff Structure: BCD tariff schedules provide a starting point for understanding tariff policy but do not reflect the full set of levies applicable at the border.

Applicable Tariff Rates Including Cesses: Once additional levies such as cesses and surcharges are included, the number of distinct applicable tariff rates increases significantly.

10 **notified BCD rates**

0%	2.5%	5%	7.5%	10%	12.5%	15%	20%	25%	70%
264 lines	159 lines	724 lines	3,003 lines	3,451 lines	1 line	1,138 lines	1,619 lines	24 lines	92 lines

↓ once AIDC and SWS are added

44 **applicable tariff rates (BCD + cess)**

0%	2.5%	2.75%	3%	3.25%	4.15%	5%	5.25%	5.5%	7.5%	8%
264 lines	25 lines	128 lines	1 line	3 lines	2 lines	76 lines	13 lines	634 lines	62 lines	1 line
8.25%	**10%**	**10.1%**	**10.2%**	**10.25%**	**10.35%**	**10.5%**	**10.75%**	**10.85%**	**11%**	**11.5%**
2,940 lines	277 lines	1 line	2 lines	4 lines	14 lines	17 lines	30 lines	6 lines	3,086 lines	2 lines
11.9%	**13.75%**	**15%**	**15.5%**	**15.75%**	**16%**	**16.5%**	**20%**	**21%**	**21.5%**	**22%**
10 lines	1 line	14 lines	3 lines	490 lines	266 lines	368 lines	490 lines	28 lines	9 lines	752 lines
25%	**27.5%**	**29.5%**	**35%**	**38.5%**	**40%**	**42%**	**70%**	**77%**	**110%**	**147%**
124 lines	32 lines	136 lines	1 line	57 lines	12 lines	2 lines	3 lines	3 lines	85 lines	1 line

Source: India: CUSTADA; FED analysis

Note: Cesses include AIDC and SWS, complexity may increase after including all applicable cesses; Analysis excludes agri line items; count of rates excludes rates defined as price per quantity.

Illustrative example of how applicable tariff rates multiply

One BCD rate, ten applicable rates. Impact on 1,619 HS8 lines

BCD AIDC SWS

Numbers inside each bar are the BCD, AIDC and SWS rates (percentage points); the bold figure at the end is the applicable rate.

EXAMPLE HS8 LINE	APPLICABLE RATE = BCD + AIDC + SWS	HS8 LINES
Cotton T-shirts 61091000	20 = **20%**	490
Jewellery, unstudded 71131911	20 + 1 = **21%**	28
Split air conditioners 84151010	20 + 2 = **22%**	761
Wooden furniture 94036000	20 + 5 = **25%**	118
Electronic toys 95030091	20 + 7.5 = **27.5%**	14
PV cells, not in modules 85414200	20 + 7.5 + 2 = **29.5%**	136
Bicycles 87120010	20 + 15 = **35%**	1
Sports footwear 64041190	20 + 18.5 = **38.5%**	57
Marble blocks/tiles 68022110	20 + 20 = **40%**	12
PV modules/panels 85414300	20 + 20 + 2 = **42%**	2
Total		**1,619**

Source: India: CUSTADA; FED analysis

Note: BCD, AIDC and SWS in percentage points. SWS is 10% of BCD where it applies and is exempt on lines shown without an SWS segment. The HS8 lines total reflects only those lines for which the BCD is 20%. 9 lines have an applicable rate of 21.5% because their BCD rates have been modified to 15% by notification and hence attract a 1.5% SWS. These have been merged with the 22% applicable rate above in order to show a consistent impact of the 10% SWS on a BCD rate of 20%.

ANNEXURE 5

Scheme comparison – SEZ, EOU, MOOWR, and Advance Authorisation

Practical application of these schemes forces manufacturers to navigate different regulatory and operational challenges. Table 6 below captures the key operational challenges faced.

Table 6: Challenges within key operational activities under SEZ, EOU, MOOWR, and AA

SEZ	Special Economic Zone	EOU	Export Oriented Unit
MOOWR	Manufacturing and Other Operations in Warehouse Regulations	AA	Advance Authorisation

Movement of inputs	
SEZ	Export duty on Domestic Tariff Area (DTA)-to-SEZ supplies
EOU	Post GST, EOUs pay GST upfront on domestic procurement and claim refunds later, blocking working capital
MOOWR	Input transfers between MOOWR units require detailed disclosures, limiting IP protection
AA	Outdated Standard Input-Output Norms (SION) limit duty benefits for modern or innovative inputs
Job work / subcontracting	
SEZ	Reverse job work not allowed *(i.e. processing by SEZ for DTA with processed product sent back to DTA)*
SEZ	Restrictive timeframes for the temporary removal (for testing, repairs etc.) and return of goods to SEZ
EOU	Reverse job work not allowed
MOOWR	Cannot temporarily share high-value capital goods with other MOOWR units of the same entity, nor carry out assembly of capital goods at DTA or other MOOWR units
Selling final output / disposal	
SEZ	SEZ services aren't zero-rated since place of supply deemed to be in India
SEZ	SEZ to DTA sales attract full finished-goods duty
MOOWR	No depreciation benefit on capital goods at the time of disposal
Compliance and documentation	
SEZ	No single-window: SEZ Letter of Approval still needs 10–12 departmental approvals
SEZ	Transition to ICEGATE from SEZ online is incomplete, forcing units to use both systems, leading to confusion and delays
EOU	Shift from automatic GST exemption (on procurement from DTA) to a pay-then-refund system adds to compliance burden
MOOWR	MOOWR licenses are granted per bonded premise, not at the entity level
MOOWR	Mandatory one-to-one matching of in-bond and ex-bond bills adds documentation burden
AA	Process of issuance of AAs is time consuming, and AAs are typically issued order by order, making it very inflexible
AA	Where SIONs don't exist, manufacturer required to submit detailed documentation to get case-by-case approval

Source: FED analysis

ANNEXURE 6

Rate Consolidation Methodology – A fragmented 44 rate structure consolidated into 9 rates

Our endeavour should be to simplify India's tariff regime by consolidating the current 44 unique applicable rates to 9 rates so that the complexity of the system is in the background while enterprises and citizens face only 9 rates. This can be done by moving every applicable rate down to the floor of its band, as shown in Table 7 below.

Table 7: Mapping of 44 applicable rates to 9 rates (all non-agricultural HS8 lines)

BAND	44 CURRENT APPLICABLE RATES	9 RATES	LINES
Below 5%	0% 2.5% 2.75% 3% 3.25% 4.15%	→ 0%	423 HS8 lines
5% to below 10%	5% 5.25% 5.5% 7.5% 8% 8.25%	→ 5%	3,726 HS8 lines
10% to below 15%	10% 10.1% 10.2% 10.25% 10.35% 10.5% 10.75% 10.85% 11% 11.5% 11.9% 13.75%	→ 10%	3,450 HS8 lines
15% to below 20%	15% 15.5% 15.75% 16% 16.5%	→ 15%	1,141 HS8 lines
20% to below 35%	20% 21% 21.5% 22% 25% 27.5% 29.5%	→ 20%	1,571 HS8 lines
35% to below 40%	35% 38.5%	→ 35%	58 HS8 lines
40% to below 70%	40% 42%	→ 40%	14 HS8 lines
70% to below 110%	70% 77%	→ 70%	6 HS8 lines
110% and above	110% 147%	→ 110%	86 HS8 lines

Total: 44 rates → 9 rates · 10,475 HS8 lines

Source: CUSTADA; FED analysis

Note: Excludes agricultural line items.

For each of the 9 rates, split into BCD and cesses based on the following principles:

- BCD, SWS, and AIDC on each line are scaled by the same factor so the revenue split between them doesn't change.
- The current SWS rule (SWS at 10% of BCD) carries over unchanged.
- HS8 lines with no SWS or AIDC today continue to have no SWS or AIDC.

Table 8: Worked examples of splitting applicable rate into BCD and cesses

HS8 LINE 39181090

16.5% → 15%

	BCD	AIDC	SWS
Today	15.00	–	1.50
New	**13.64**	**–**	**1.36**

HS8 LINE 31023000

15.5% → 15%

	BCD	AIDC	SWS
Today	10.00	5.00	0.50
New	**9.38**	**4.69**	**0.94**

HS8 LINE 31021010

15.0% → 15%

	BCD	AIDC	SWS
Today	10.00	5.00	–
New	**10.00**	**5.00**	**–**

NOTES ON THE WORKED EXAMPLES

39181090 (16.5% → 15%)

- The HS8 line carries BCD and SWS but no AIDC
- The new BCD is set so that BCD plus SWS at 10% of BCD equals 15%; therefore, the new BCD is 13.64% and SWS is 1.36%
- No AIDC is introduced.

31023000 (15.5% → 15%)

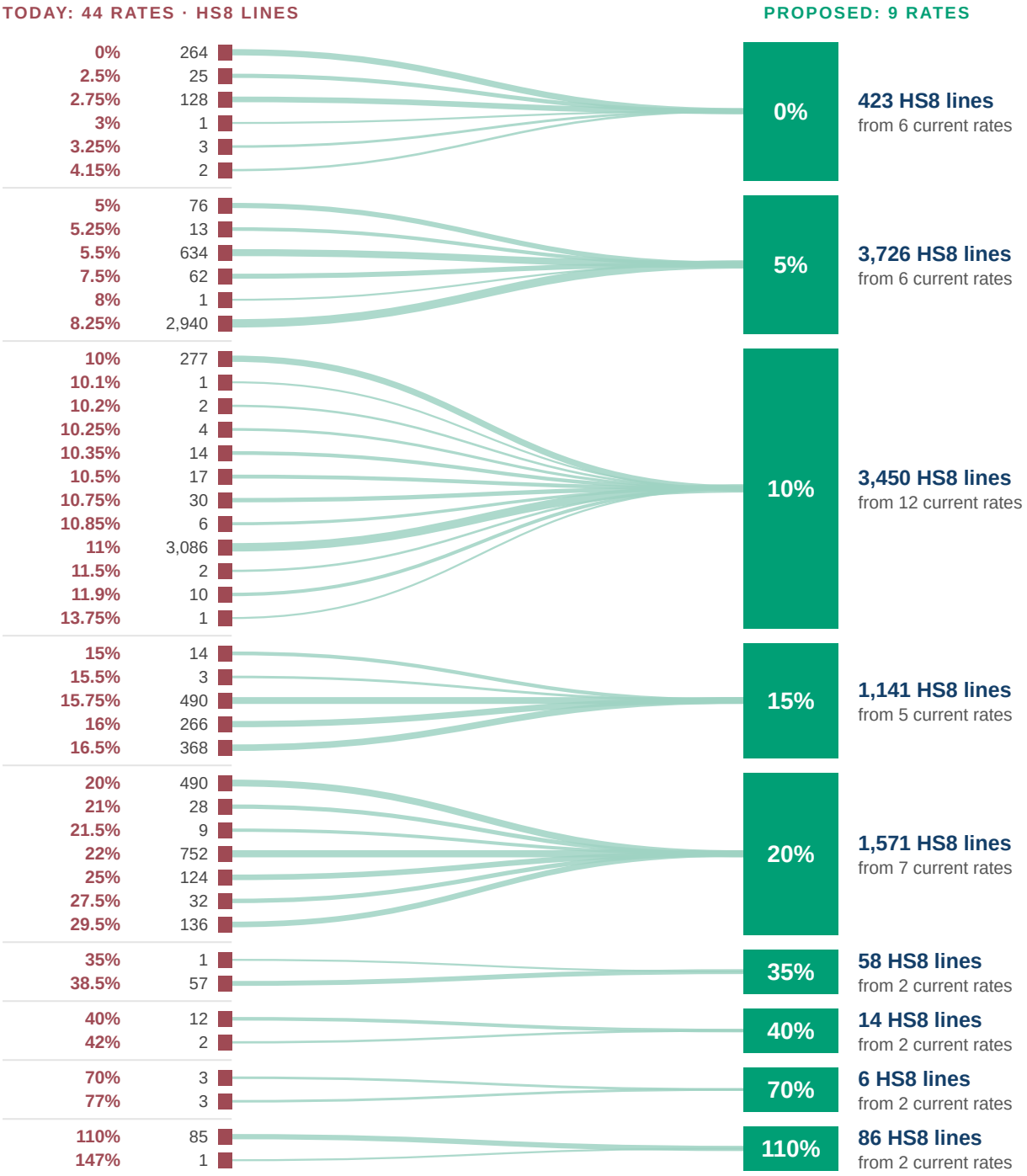
- The HS8 line carries BCD, SWS, and AIDC.
- In the new rate, BCD and AIDC keep their current 2:1 ratio and SWS is set at 10% of the new BCD. In the current rate, it is set at 5% due to a tariff notification.
- Keeping the 2:1 ratio gives a BCD of 9.38%, AIDC of 4.69% and SWS of 0.94%, totaling 15%.
- Because SWS today is only 0.5% on this line, applying the 10% rule raises its share. If the current SWS share (of 5%) is to be preserved instead, all three components would be scaled by the same factor (BCD: 9.68%, AIDC: 4.84%, SWS: 0.48%).

31021010 (15.0% → 15%)

- The current rate already sits at a target band rate, so the line is unchanged.

The expected outcome of a simplified 9 rate tariff regime is that India's simple average duty[42] reduces from the current 12.7% to 10.9%, a reduction of 1.8 percentage points. Figure 18 below shows how the simplification would play out for all of India's HS8 lines.

Figure 18: Rate consolidation across all HS8 lines



Left: each of today's 44 applicable rates (BCD + cess, %) with its HS8 lines. Right: the rate each group moves to. Line thickness reflects HS8 lines (log scale).

Source: CUSTADA; FED analysis

Note: If any new cess or duty is imposed, we should aim to make the final rate fall within these bands.

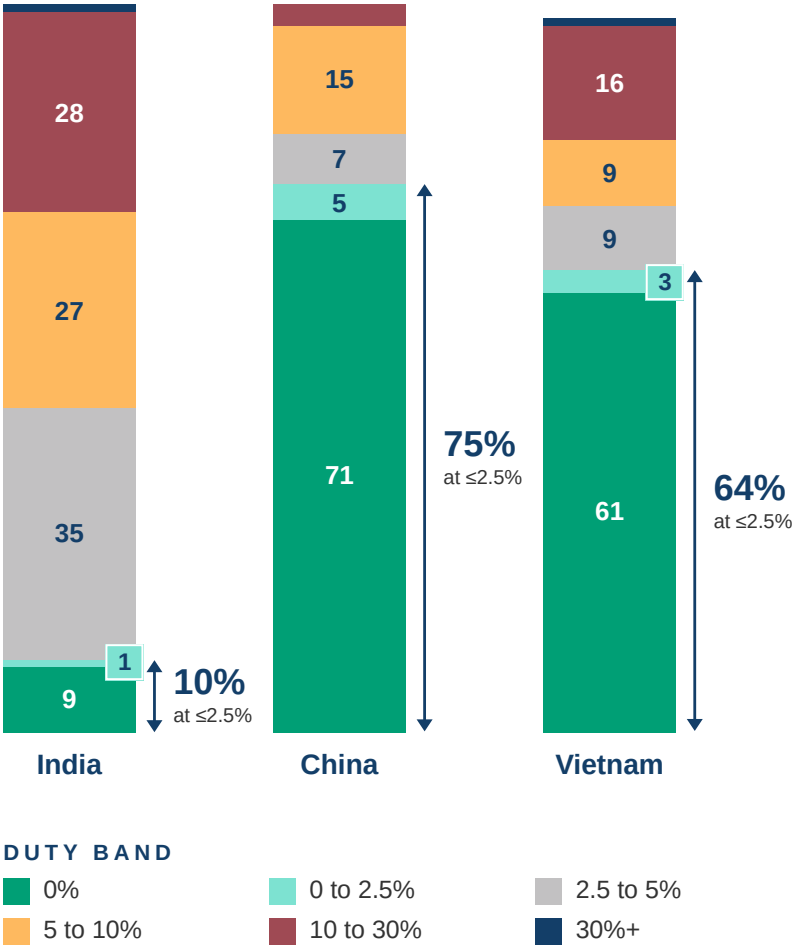
[42] Simple average duty is HS8 line-level average of applicable rates i.e., BCD plus cesses; excluding agriculture-related HS8 lines. This average does not involve any trade weighting and does not consider FTA rates.

ANNEXURE 7

Simple Average Duty Comparison: India, China, and Vietnam

Without accounting for FTAs and without trade weighting, Vietnam and China can import approximately 6.5 to 7.5 times more goods at a 2.5% or lower tariff compared to India (see Figure 19).

Figure 19: 75% of imports in China and 64% in Vietnam face 2.5% or less duty, vs just 10% for India



Values not labelled: India 30%+ = 1%; China 10 to 30% = 3%, 30%+ = 0%; Vietnam 30%+ = 1%.

Source: India: CUSTADA; Vietnam: Ministry of Industry and Trade (MOIT); China: General Administration of Customs China (GACC); UN Comtrade; FED analysis

Notes:

- Simple average duty is HS8 line-level average of applicable rates i.e., BCD plus cesses; excluding agriculture-related HS8 lines. This average does not involve any trade weighting and does not consider FTA rates.
- Except for the 0% band, tariff slabs x–y% are interpreted as (x, y]; they include y but not x.
- Numbers may not add up to 100% in specific cases due to rounding

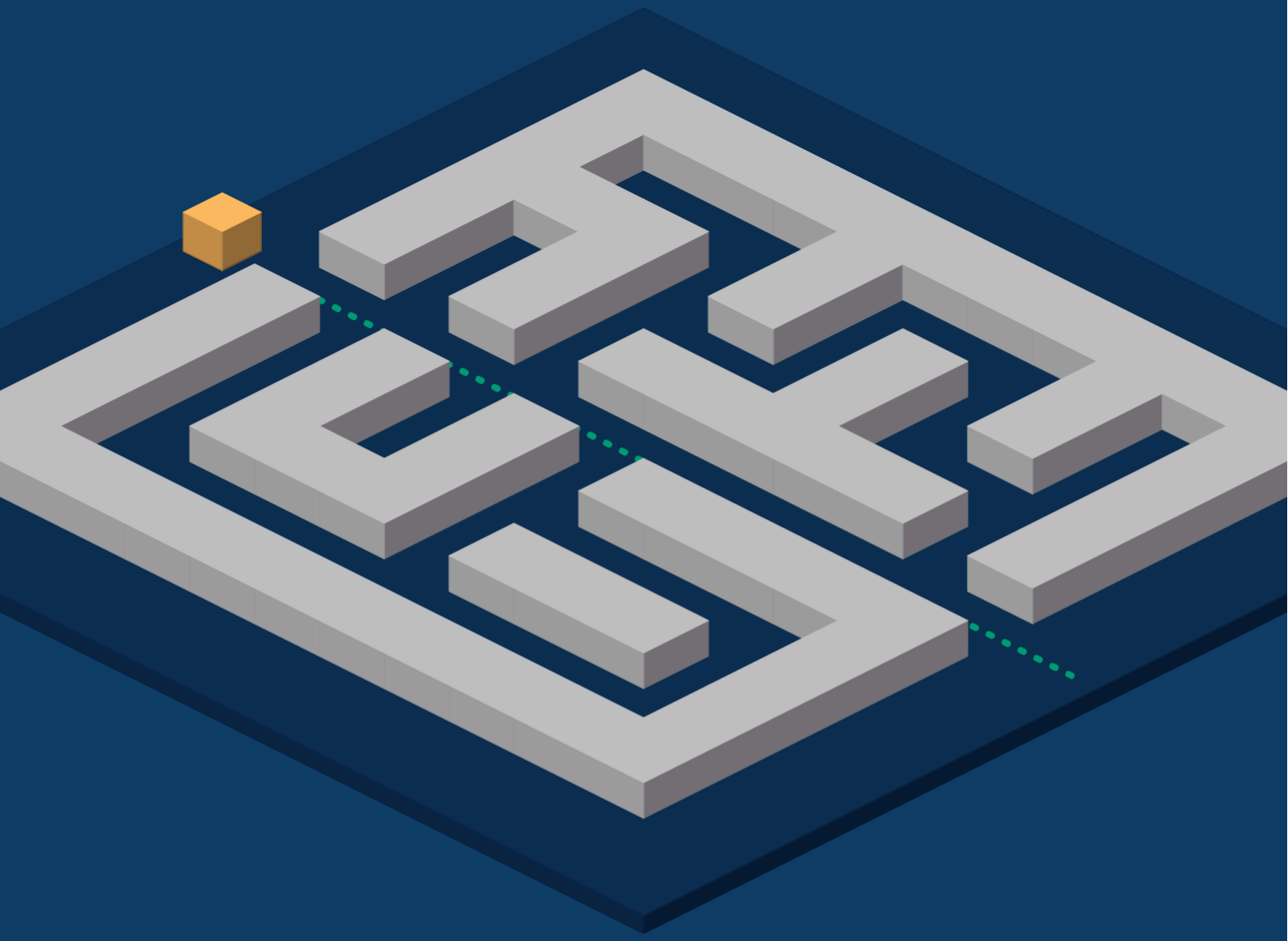
List of abbreviations

AA	Advance Authorisation
ACCs	Air Cargo Complexes
AIDC	Agriculture Infrastructure and Development Cess
ASI	Annual Survey of Industries
BCD	Basic Customs Duty
BEC	Broad Economic Categories
Bn	Billion
BOM	Bill of Materials
BOPP	Biaxially Oriented Polypropylene
CAGR	Compound Annual Growth Rate
CBIC	Central Board of Indirect Taxes and Customs
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
CVD	Countervailing Duty
CY	Calendar Year
DGFT	Directorate General of Foreign Trade
DTA	Domestic Tariff Area
EOU	Export Oriented Unit
EPCES	Export Promotion Council for EOUs and SEZs
EPFO	Employees' Provident Fund Organization
EU	European Union
EVA	Ethylene-Vinyl Acetate
FED	Foundation for Economic Development
FTA	Free Trade Agreement
FY	Financial Year
GACC	General Administration of Customs China
GDP	Gross Domestic Product
GDVC	General Department of Vietnam Customs
GST	Goods and Services Tax
GSTN	Goods and Services Tax Network
GVC	Global Value Chain
HDPE	High-Density Polyethylene
HRC	Hot-Rolled Coil
HS	Harmonized System (HS6 and HS8 refer to 6-digit and 8-digit product codes)
HSN	Harmonized System of Nomenclature
HVAC	Heating, Ventilation and Air Conditioning
IBEF	India Brand Equity Foundation
ICDs	Inland Container Depots
ICEGATE	Indian Customs Electronic Gateway
INR	Indian Rupee
IP	Intellectual Property
ITC	International Trade Centre
LDPE	Low-Density Polyethylene
LFPR	Labour Force Participation Rate
LLDPE	Linear Low-Density Polyethylene
MIS	Management Information System
MoSPI	Ministry of Statistics and Programme Implementation
MOIT	Ministry of Industry and Trade (Vietnam)
MOOWR	Manufacturing and Other Operations in Warehouse Regulations
MT	Metric Tonne
OLED	Organic Light-Emitting Diode
PCB	Printed Circuit Board
PCBA	Printed Circuit Board Assembly
PET	Polyethylene Terephthalate
PIB	Press Information Bureau
PLFS	Periodic Labour Force Survey
PLI	Production-Linked Incentive
pp	Percentage points
PSF	Polyester Staple Fibre
PU	Polyurethane
PV	Photovoltaic
PVC	Polyvinyl Chloride
QCO	Quality Control Order
R&D	Research and Development
RoDTEP	Remission of Duties and Taxes on Exported Products
SEZ	Special Economic Zone
SION	Standard Input-Output Norms
SITC	Standard International Trade Classification
SWS	Social Welfare Surcharge
Tn	Trillion
TPR	Thermoplastic Rubber
UK	United Kingdom
UN Comtrade	United Nations Commodity Trade Statistics Database
UNICEF	United Nations Children's Fund
UNSD	United Nations Statistics Division
US	United States
USD	United States Dollar
VGA	Video Graphics Array
VSF	Viscose Staple Fibre
WDI	World Development Indicators

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CONTACT

WEBSITE	www.fedev.org
PHONE	011 4003 9300
SOCIAL	@fedev_india
ADDRESS	242, Okhla Industrial Area Phase 3, New Delhi 110020