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Article - 1 : Structural challenges in India's energy architecture

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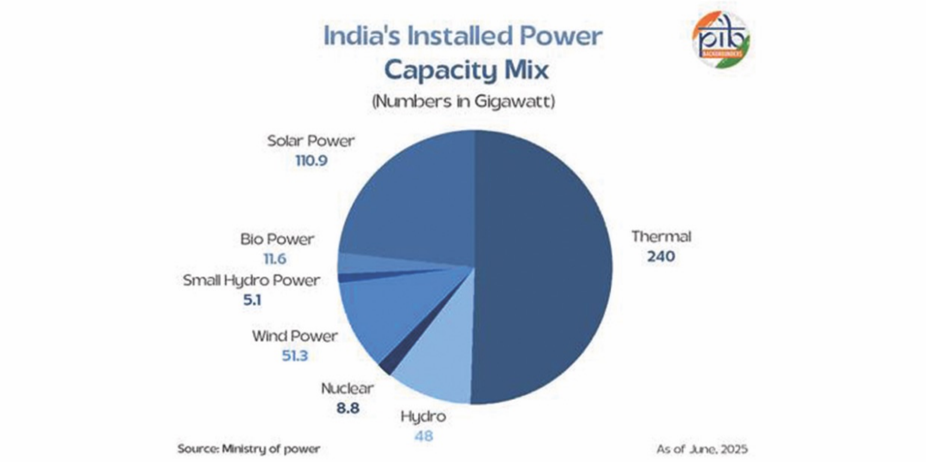

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Structural Challenges in India's Energy Architecture: A Sectoral Overview

Prerna Gandhi, Associate Fellow, VIF

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Structural Challenges in India's Energy Architecture: A Sect
India's energy

Context India's energy security is fragile in 2026 across oil, gas, coal, nuclear & renewables due to poor coordination between ministries and deep import dependence.

Facts

- India hit 50% non-fossil installed capacity - five years ahead of it Paris target.
- IEA projects - crude import dependence will reach 92% by 2035.
- 520 GW installed capacity by Jan 2026.

Analytical Crux

On one hand India achieved 520 GW and 50% non-fossil energy capacity, yet only 29% of the electricity is clean. India skips the core technology and depends on China for solar wafers, on imports for electrolysers and on West Asia for crude. The main issue is that energy is divided across five ministries and offshore wind across four due to which projects are stuck in coordination and fails to deliver. Thus, India's energy insecurity is a governance and self-reliance problem wearing the mask of a technology problem.

Verbatim Quotes

"India's energy transition is less constrained by technology or capital than by coordination failures and import dependencies that span fossils and renewables alike."

– Prerna Gandhi

Article - 2 : Fifteen FTAs, 27 countries, four challenges

Fifteen FTAs, 27 countries, four challenges

Ajay Srivastava

WITH THE India-Oman agreement taking effect on June 1, India now has 15 FTAs covering 27 countries. Another nine agreements with 42 countries are nearing completion. Once finalised, India's FTA partners will total 69 countries and could account for nearly 75 per cent of the country's exports.

As India expands its network of FTAs, four recurring challenges demand attention: Rising trade deficits, low utilisation of FTA benefits by Indian exporters, worsening inverted duty structures, and the relocation of manufacturing to FTA partner countries.

Let's examine how these challenges are shaping India's trade patterns, industrial competitiveness, and economic outcomes.

First, a rising trade deficit. Between 2007-09 (before the FTAs took effect) and 202-25, India's trade deficit with ASEAN grew by 381 per cent, that with Japan by 318 per cent and that with South Korea by 268 per cent. In comparison, its trade deficit with the rest of the world increased by 142 per cent. Over the past three years, India's average annual trade deficit with ASEAN, Japan and South Korea has reached about $62 billion.

The newer FTAs are also associated with large trade deficits. In FY2025, India exported $48.6 billion to the UAE, Australia, Mauritius and EFTA countries, but imported nearly $100 billion, resulting in a trade deficit of over $50 billion. As tariff cuts under these agreements deepen, the deficit may increase further. South Asia remains the major exception, where India's trade surplus expanded from $6.7 billion to $20 billion during the same period.

The difference between India's tariff structure and those of its FTA partners helps explain why imports often grow faster than exports after FTAs. Most of its FTA partners are already open economies with low tariffs. Average MFN tariffs are close to zero in Singapore and below 4 per cent in Japan, Australia, Malaysia and the UAE. In contrast, India's trade-weighted MFN tariff is about 12.6 per cent, with rates ranging from zero to 150 per cent. As a result, when India cuts tariffs under an FTA, exporters from partner countries gain a significant price advantage in the Indian market. A 50 per cent tariff reduction, for example, can translate into a major cost advantage over competing suppliers. Indian exporters, however, often gain little additional market access because tariffs in partner countries were already low or zero before the agreement.

The difference becomes even clearer when actual trade flows are examined. Almost all imports into Singapore enter duty-free under MFN rules, while more than 80 per cent do so in Japan and Malaysia. In the EU and the UK, more than half of imports face zero customs duty. In India, however, only about 6 per cent of imports enter duty-free under MFN treatment. As a result, FTAs often give foreign exporters a much bigger advantage in the Indian market than Indian exporters receive abroad.

Second, low utilisation of FTA benefits. The same tariff asymmetry also helps explain why Indian exporters make limited use of FTAs. When MFN tariffs in partner countries are already zero, there is little benefit in exporting under an FTA. Even where MFN tariffs are low — say 1 to 3 per cent — the savings are often too small to justify the costs of complying with rules of origin, certification requirements, and paperwork. As a result, only an estimated 20-30 per cent of India's eligible exports take advantage of FTA preferences. Many small firms prefer to avoid the compliance burden for modest tariff savings.

The incentives are very different for exporters selling to India. Since India's MFN tariffs remain relatively high, tariff reductions under FTAs can generate substantial savings. As a result, import-side utilisation rates are estimated at 60-70 per cent. Thus, rising imports and low export-side utilisation are not separate issues. Both stem from the same tariff asymmetry between India and its FTA partners.

Third, worsening inverted duty structures. An inverted duty structure arises when duties on raw materials and industrial inputs are higher than those on finished products. While this problem has existed for years, FTAs have made it harder to fix because many finished goods now enter India at low or zero duty from partners such as ASEAN, Japan, South Korea, the UAE and Australia. As a result, Indian manufacturers often pay high duties on imported inputs, especially those sourced from non-FTA countries, while competing against finished products imported duty-free under FTAs.

For example, steel and aluminium attract MFN duties of 7.5-10 per cent, but machinery, industrial equipment and engineering products made from these materials can enter India duty-free under several FTAs. Indian manufacturers, therefore, face higher input costs when competing with tariff-free imported machinery produced with globally priced inputs.

Similar distortions exist in chemicals, plastics, rubber and textiles. Duties on inputs such as caustic soda, soda ash, polypropylene, PVC and SBR raise production costs. At the same time, many finished products in these sectors can be imported at low or zero duty. The result is a tariff structure that protects producers of basic materials but disadvantages downstream manufacturing, making it harder to achieve higher domestic value addition and the goals of Make in India.

> When it becomes cheaper to manufacture in an ASEAN country and export duty-free to India than to produce in India, investment and jobs tend to move abroad. As a result, FTAs can encourage firms to 'Make in ASEAN, Sell in India'

Fourth, make in ASEAN, sell in India. An equally significant consequence of FTAs and resulting inverted duty structures is the growing incentive for firms to manufacture outside India rather than within it. When raw materials and components attract duties in India, but finished products can be imported duty-free from FTA partners, companies may find it more profitable to locate production abroad and export back to the Indian market. In such cases, FTAs effectively encourage offshore manufacturing at the expense of domestic value addition.

ASEAN countries are increasingly becoming manufacturing hubs for supplying the Indian market. Chinese companies have invested heavily in countries such as Vietnam, Thailand and Indonesia. At the same time, some Indian firms have also set up factories and joint ventures there to benefit from lower production costs and duty-free access to India under FTAs. Similar trends can be seen in electronics, steel, chemicals, plastics, consumer goods and engineering products.

When it becomes cheaper to manufacture in an ASEAN country and export duty-free to India than to produce in India, investment and jobs tend to move abroad. As a result, FTAs can encourage firms to "Make in ASEAN, Sell in India" rather than "Make in India".

Unless India's tariffs on industrial inputs are better aligned with its FTA commitments, these agreements may encourage firms to produce abroad rather than in India, weakening domestic manufacturing and supply chains.

The government and industry must work together to address these four challenges so that FTAs strengthen India's manufacturing base instead of encouraging higher imports, overseas production, and loss of industrial capacity.

The writer is founder, GTRI

Context

The FTAs are working against India, widening trade deficits and pushing factories abroad because India's tariffs are higher than its partners.

Facts

- After FTAs, India's deficit grew at 381% with ASEAN.
- FTA utilisation : 20-30% on exports & 60-70% on imports.
- The four challenges : rising trade deficits, low FTA utilisation by Indian exporters, worsening inverted duty structures and relocation of manufacturing to partner countries.

Analytical Crux

India is celebrating higher number of FTAs, but results shows that these agreements has done more loss than profit to India. There is higher deficits with ASEAN, Japan & Korea and India utilises only 20-30% for export. The issue is the inverted duty trap i.e. when inputs are taxed higher than finished goods, and finished goods pour in duty-free under FTAs, firms choose to "Make in ASEAN, sell in India", hollowing out Make in India. FTAs are not automatically good without aligning input tariffs and lifting utilisation and they can deindustrialise economy the economy they were meant to integrate.

Verbatim Quotes

"When it becomes cheaper to manufacture in a ASEAN country and export duty-free to India than to produce in India, investment and jobs tend to move abroad. FTAs can encourage firms to 'Make in ASEAN, sell in India' rather than 'Make in India'."

— Ajay Srivastava

Article - 3 : The Oman CEPA, a new gateway for India's exports

The Oman CEPA, a new gateway for India's exports

Anant Goenka

President,
The Federation of Indian Chambers of Commerce and Industry (FICCI)

India and Oman share one of the oldest trading relationships, with commercial and maritime links dating back thousands of years. From the movement of spices, textiles and frankincense to enduring people-to-people ties, trade has long been a cornerstone of this partnership. The India-Oman Comprehensive Economic Partnership Agreement (CEPA), which came into force on June 1, 2026, reaffirms and strengthens this historic relationship by providing a modern framework to deepen trade, investment and economic cooperation for the future.

India is amongst the top suppliers for Oman and bilateral trade has grown from \$8.94 billion in FY2023-24 to \$11.18 billion in FY2025-26, reflecting the growing complementarities between the two economies.

An expansion of India's trade ties

The CEPA comes at a time when India is actively diversifying its trade partnerships and integrating more deeply with global value chains. Following agreements with the United Arab Emirates, Australia, the European Free Trade Association, the United Kingdom, New Zealand and the European Union, the Oman CEPA further strengthens India's presence in a region that is central to its energy security, trade and strategic interests.

The CEPA offers significant opportunities for Indian exporters. Oman has offered duty-free access on 98.08% of its tariff lines, covering 99.38% of India's exports by value. Before the agreement, only 15.33% of India's exports entered Oman at zero duty under the Most Favoured Nation regime. The CEPA, therefore, provides an immediate competitiveness boost across a broad range of sectors. In textiles and apparel, India already commands a 43% share of Oman's woven apparel imports and 31% of knitted apparel imports. The removal of the existing 5% tariff will strengthen the competitiveness of Indian manufacturers against China, which is the other dominant supplier in this market. In the case of chemicals, India already supplies nearly 39% of Oman's inorganic chemical imports, making it one of the leading players in the market. Tariff free access will only amplify this further.

Likewise, engineering goods will also benefit. Oman imports over \$3.7 billion worth of mechanical machinery and \$3.3 billion worth of automotives annually, where India's market share is only 5% and 2%, respectively. Preferential market access under the CEPA can help Indian exports of engineering goods expand significantly and deepen their presence in Oman's infrastructure, construction and industrial sectors.

In pharmaceuticals, where India holds around 10% market share, the agreement's value lies not in tariff reductions but in regulatory facilitation. Products approved by leading international regulators will benefit from fast-tracked approvals, reducing compliance costs and accelerating market entry. As Oman's pharmaceutical market continues to expand, Indian companies will be well-positioned to capture a larger share. Duty-free access for products such as meat, eggs, honey, butter and processed foods will further strengthen India's already strong position. At the same time, sensitive sectors such as dairy, cereals, edible oils and several agricultural commodities have been kept outside tariff concessions, ensuring that domestic producers remain protected.

Streamlining procedures

Significant trade facilitation measures have been introduced. Oman will accept certificates issued by India's Export Inspection Council (EIC), eliminating duplicative testing and inspections, while also recognising India's organic (NPOP) and halal certification systems. There are dedicated sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) provisions, which will enhance regulatory transparency and cooperation, and streamlined customs clearance, including fast-track processing for perishables, which will reduce costs and improve export efficiency.

Another forward-looking aspect of the CEPA is its strong focus on services and professional mobility. Bilateral services trade stood at \$863 million in 2024, with India enjoying a surplus of nearly \$447 million. Yet, India's share in Oman's global services imports remains just over 5%, indicating substantial untapped potential.

Oman has undertaken binding commitments covering professionals in sectors such as accounting, engineering, information technology, health care, education and consulting. Oman also raises the quotas for intra-corporate transferees, facilitating greater mobility of Indian professionals and specialists. Provisions relating to AYUSH and traditional medicine further create opportunities for Indian health care and wellness services in the Gulf.

Strategic location advantage

Beyond trade statistics, the CEPA has a larger strategic significance. Oman occupies a unique position at the crossroads of the Gulf, the Indian Ocean and East Africa. Its ports at Sohar, Duqm and Salalah are emerging as major logistics and industrial hubs. For Indian businesses, Oman can serve not only as a destination market but also as a gateway to the wider Gulf Cooperation Council (GCC) region and East African economies.

The India-Oman CEPA once again demonstrates the evolution of India's trade policy from tariff negotiations to comprehensive economic partnerships encompassing goods, services, investment, mobility and regulatory cooperation. Its benefits will extend from textile clusters in Tamil Nadu and the gems and jewellery industry in Gujarat to engineering hubs in Maharashtra and Punjab, and from pharmaceutical manufacturers in Telangana to seafood exporters in Andhra Pradesh and Kerala.

The real test will now lie in implementation and utilisation. If businesses actively leverage the opportunities created by the agreement, the CEPA can significantly expand India's export footprint, strengthen economic integration with the Gulf, and support the country's broader ambition of becoming a globally competitive manufacturing and services powerhouse. For India, the agreement opens not only the Omani market but also a broader gateway to the Gulf and beyond.

The agreement boosts exports, services, investment and professional mobility

Context India Oman CEPA turns a centuries-old trade link into a modern gateway to the Gulf and East Africa.

Facts

- Bilateral trade - from \$ 8.94 billion (FY 2023-24) to \$ 11.8 billion (FY 2025-26).
- Oman - gateway to the GCC and East Africa via Sohar, Duqm and Salalah.
- Sectors outside tariff - Dairy, cereals & edible oils.

Analytical Crux

Oman CEPA is less about Oman's small market and more about positioning it as a doorway to the wider Gulf and East Africa. From 15.33 % to 99.38 % of India's exports will get duty-free entry, which lifts competition in textiles, chemicals and engineering goods. The value lies beyond tariffs i.e. in services, professional mobility & regulatory recognition. It differs the modern CEPAs from old FTAs.

UPSC LINK

- **2025 - PSIR Paper II**: "The tariff threats have pushed India and the European Union closer. Evaluate the India-EU partnership."

- **2025 - PSIR Paper II:** “India maintains strong ties with countries that will assure a free and open Indo-Pacific and guarantee greater connectivity with rest of the world. Analyze.”

- **2024 - PSIR Paper II:** "Discuss the potential role that India could play as the leader of the Global South in realising the goal of establishing a new international economic order in the 21st century.

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