



# Shift in policy of two decades in last 2 yrs: Apples to mobiles, sweeping duty hikes cover more than 400 items

Posted at: 14/08/2018

## Highlights

There have been nearly a dozen instances of hikes in customs duty covering over 400 items during the last 24 months, marking a “calibrated departure” from the underlying policy of reducing import duty that was consistently followed by successive governments over the last two decades.

- The increase in duties across both agricultural items and manufactured products is also in contravention with a proposal debated by the government’s policy think-tank Niti Aayog in the run-up to last year’s Budget to effectively bring tariffs down in line with corresponding duties in the ASEAN bloc.
- Prior to the large-scale hikes, India’s peak customs duty — the highest of the normal rates — on non-agriculture products had come down steeply from 150 per cent in 1991-92 to 40 per cent in 1997-98 and subsequently, to 20 per cent in 2004-05 and 10 per cent in 2007-08.
- Bound rates are the customs duty rates committed by a country to all other members under the most favored nation principle and breaching these rates could effectively put a country at risk of being branded as “protectionist” as per the WTO norms, which prohibit discrimination by use of tariffs by its 164 members.

Analysts caution that customs duty hike proposed on 29 US products on June 20 this year on items including almonds, apples and phosphoric acid worth \$10.6 billion, which was to be effective from August 4 but has since been postponed by 45 days, could effectively cross the WTO-mandated “bound rates”.

Analysts predict that breaching the WTO-bound rates could have serious repercussions because

- The WTO requires member countries to notify bound tariffs on products as per the commitments resulting from negotiations.
- Country-wise bound tariff commitments are listed in the documents called the Schedule of Commitments and are an integral part of the WTO Agreement.
- WTO member countries have the flexibility to increase or decrease their tariffs so long as they do not raise them above their bound levels.
- If one WTO member raises applied tariffs above their bound level, other WTO members can take the country to the WTO’s dispute settlement for resolving the issue.



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