

# India's Trade Policy

Deepening its global economic footprint



**MAKE IN INDIA**

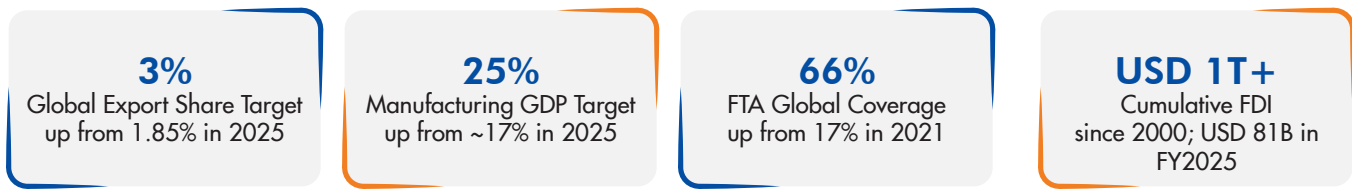
May 2026

## India’s Trade Policy Transformation: A Strategic Overview

India is undergoing one of the most consequential shifts in its trade policy architecture — a deliberate, multi-year recalibration of the rules, agreements, and incentives that govern how the country integrates with the global economy. What was once characterised by cautious protectionism and selective engagement is now a proactive framework aimed at deepening trade linkages, attracting foreign capital, and building domestic industrial capacity at scale.

This report advances a single argument: India’s trade policy transformation is structural, not cyclical —

and it is compounding. The reforms are not isolated measures but a sequenced, mutually reinforcing system in which each layer activates the next. The following sections trace that sequence — domestic policy reforms and logistics readiness, market access via Free Trade Agreements (FTAs), industrial policy-backed supply capacity, and the capital flows that validate the whole — and show where it stands today.



Source: Department for Promotion of Industry and Internal Trade (DPIIT), Press Information Bureau (PIB), Crisil Intelligence

### 1 The Domestic Preconditions: Policy Foundation and Logistics Readiness

#### A The Policy Foundation

The first step in the argument is domestic. A trade policy that opens foreign markets without first reducing the cost of doing business at home is incomplete — it creates access without the capacity to use it. India’s reform agenda over the past decade addresses precisely this gap: reducing the regulatory friction that has historically raised the cost of operating in the country, building the fiscal scaffolding to attract manufacturing investment, and removing the infrastructure bottlenecks that added cost and delay to every shipment leaving its shores.

Three policy instruments form the domestic foundation. Regulatory simplification — through 47,000+

compliance reductions and the Jan Vishwas Act — lowers the administrative burden on businesses. Targeted fiscal incentives, including a 15% effective corporate tax for new manufacturers, make India cost-competitive for capital allocation decisions. And FDI liberalisation, with caps raised in insurance, defence, and telecom, signals that India is open to the foreign capital needed to fund the scale-up. Together, these are not a collection of isolated measures but the preconditions that make every subsequent layer of trade policy credible.

## India's Three Policy Pillars for Trade Competitiveness

Ease of Doing Business	FTA Expansion & Export Focus	Fiscal & Regulatory Incentives
<ul style="list-style-type: none"> <li>➤ 47,000+ compliances reduced</li> <li>➤ 0.8M+ approvals via National Single Window System (NSWS) since 2021</li> <li>➤ 183 provisions decriminalised (Jan Vishwas Act 2023)</li> <li>➤ 9,700+ reforms across states</li> </ul>	<ul style="list-style-type: none"> <li>➤ FTA coverage up from 17% to 66%+ of global imports</li> <li>➤ USD 240B+ incremental bilateral trade potential</li> <li>➤ US tariffs now on par with competing Asian nations</li> </ul>	<ul style="list-style-type: none"> <li>➤ 15% effective corporate tax for new manufacturers</li> <li>➤ Semiconductor tech transfer: effective tax rate &lt;10%</li> <li>➤ Angel tax abolished</li> <li>➤ FDI caps raised in insurance, defence, telecom</li> <li>➤ Neighbouring country FDI norms eased</li> </ul>

Source: Department for Promotion of Industry and Internal Trade (DPIIT), Press Information Bureau (PIB), Crisil Intelligence  
 The National Single Window System (NSWS) is a digital platform of the Central Government of India to guide individuals about identifying and applying for various approvals, permissions, and registrations for business requirements.  
 Jan Vishwas Act 2023 is an act to amend certain enactments for decriminalising and rationalising offences to further enhance trust-based governance for ease of living and doing business.

## B Logistics Readiness: From Build-Out to Utilisation

India's infrastructure has largely transitioned from intent to execution. Over the past two decades, sustained public capital expenditure, policy reforms, and institutional mechanisms such as the National Infrastructure Pipeline and Gati Shakti have created a robust backbone across roads, railways, ports, airports, and digital networks.

Long-standing constraints on manufacturing and trade have materially eased. Highway construction has scaled significantly, logistics efficiency has improved, and power availability has stabilised — shifting infrastructure from a bottleneck to a genuine enabler of growth.

**34 km/day**  
 Highways built  
 Triple the earlier pace

**2 days**  
 Port turnaround time  
 Halved from 4+ days

**38<sup>th</sup>**  
 World Bank Logistics Index  
 Best-ever ranking

Source: Ministry of Road Transport and Highways, DPIIT, World Bank

With the physical build-out largely complete, the next frontier is operational efficiency. A new generation of logistics technology startups is layering digital intelligence on top of this physical network, further

compressing delivery costs and improving supply chain reliability. It has attracted over USD 2 billion in venture capital since 2021, with nearly USD 1.6 billion raised in 2025 alone.

Company	Funding Raised	Strategic Focus
GreenLine Mobility	USD 275M	Decarbonisation of heavy freight logistics
Addverb Technologies	USD 132M	Warehouse throughput speed and fulfilment accuracy
FarEye	USD 150M	Last-mile delivery cost, speed, and predictability
Porter (new unicorn)	-	Urban logistics platform – latest addition to India's 126 unicorns (2026)

Source: Company disclosures, Bain & Company, Tracxn, Crisil Intelligence

With the domestic conditions in place, in terms of reformed regulation, competitive tax policy, and improved physical and digital infrastructure, the next question becomes: which markets can Indian producers now reach, and on what tariff terms?

## 2 Trade access via FTAs: Opening Markets, Improving Terms

Competitive infrastructure alone does not win export markets. India's export push is now being amplified by a rapid expansion in Free Trade Agreements, improving tariff competitiveness across major global markets.

FTA coverage of global imports has expanded from 17% in 2021 to 66%+ as of mid-2026, with the several consequential agreements still in the implementation phase. This is not a marginal improvement: it represents

a near-quadrupling of the share of global trade flows to which Indian exporters now have preferential or parity access.

Crucially, these agreements are not uniform, each has been calibrated to the sectors where India holds genuine competitive advantage, from pharmaceuticals and IT services in the UK deal to gems, textiles, and engineering goods in the UAE CEPA.

### Key Free Trade Agreements: Trade Potential by Partner

FTA Partner	Start Date	Trade FY25 (USD billion)	2030 Target (USD billion)	Sectors to Benefit
UAE CEPA	May 2022	\$100.0	\$120.0	Gems, Textiles, Pharma, Engineering goods
Australia ECTA	December 2022	\$24.0	\$45.0	Textiles, Leather, Pharma, Agriculture
UK CETA	April 2026*	\$56.0	\$120.0	IT Services, Pharma, Textiles, Finance
EU BTIA	Under approval, targeted early 2027	\$137.0	\$300.0	Autos, Pharma, IT, Engineering, Agriculture
GCC FTA	Under Negotiation (initiated 2026)	\$179.0	\$250.0	Gems, Petrochemicals, Food, IT Services

Source: DPIIT, Ministry of Commerce and Industry, Crisil Intelligence

\*UK CETA: Expected ratification April 2026; implementation timeline subject to parliamentary process in both countries. Status to be confirmed.

CEPA: Comprehensive Economic Partnership Agreement, ECTA: Economic Cooperation and Trade Agreement, CETA: Comprehensive Economic and Trade Agreement, BTIA: Broad Based Trade and Investment Agreement, GCC: Gulf Cooperation Council

On the US front, tariff disruptions that weighed on Indian exporters through much of 2025 have stabilised. India's tariff rates are now at an advantage with

competing Asian exporters, removing an overhang that had been the most-cited risk to the trade policy thesis among international investors.

Market access creates the opportunity; it is sector-level policy and investment that converts that opportunity into trade flows. The following section examines the specific industries where India's trade policy framework is generating the most significant structural changes.








### 3 Industrial Policy: Converting Trade Access into Supply

The macro framework for India's economic transformation is now in place. The next phase of value creation will be driven by sector-specific scale-up across high-priority industries, each underpinned by distinct policy catalysts and structural tailwinds.

India's trade policy framework does not operate uniformly. The combination of PLI schemes, FTA tariff improvements, FDI liberalisation, and bilateral technology agreements creates distinct competitive

advantages in specific industries — and it is at the sector level where the full force of the policy framework becomes visible.

Each of the sectors below has potentially benefited from a tailored combination of policy instruments. The result, in aggregate, is a diversified and deepening export base that is less dependent on any single sector or trading partner.

Sector	Key Metric	Policy Catalyst / Opportunity
 <b>Electronics &amp; Semiconductors</b>	USD 18–19B committed across 10 projects	India Semiconductor Mission catalysing investments across the value chain – from fabrication to chip design; backed by significant private capital
 <b>Pharmaceuticals</b>	Supplies 200+ countries; ~40% of US generics and ~25% of UK medicines	FDA/EMA regulatory linkages create durable moat; FTAs structurally positive for pharma services and clinical trial access
 <b>Defence</b>	Exports hit USD 4.1B in FY26 — nearly 10x in 7 years	US-India TRUST initiative deepening tech collaboration
 <b>Renewables</b>	220 GW non-fossil capacity; target 500 GW by 2030	USD 23B FDI inflows (FY21–25) under a fully automatic route; one of the largest capital deployment opportunities
 <b>Automotives &amp; EVs</b>	World's 3rd largest auto market; EU FTA phases tariffs from 110% to 10%	EV penetration rising; global OEMs assessing India
 <b>Textiles &amp; Apparel</b>	UK FTA eliminates ~12% tariff disadvantage vs Bangladesh and Cambodia	PLI-driven scale; logistics improvement underway
 <b>Chemicals</b>	11th largest exporter globally (2026)	Market projected at USD 290–310B by 2030 (6–8% CAGR)

Sources: PIB, DPIIT, Crisil Intelligence  
 FDA – Food and Drug Administration, EMA – European Medicines Agency, TRUST – Transforming the Relationship Utilizing Strategic Technology, OEM – Original Equipment Manufacturers, PLI – Production Linked Incentive  
 The U.S.–TRUST initiative, announced in February 2025, enables strategic India–US collaboration in semiconductors, artificial intelligence, quantum technologies, critical mineral supply chains, biotechnology, energy, and space technologies, facilitating technology transfer and co-development.  
 The PLI scheme in India is a government initiative designed to boost domestic manufacturing and exports across key sectors. It offers financial incentives based on incremental sales from products manufactured in domestic units, aiming to reduce import dependency and create jobs.

The sector-level evidence is compelling, but policy frameworks and sectoral tailwinds only translate into economic reality when capital moves. FDI flows is how the market votes on a trade policy thesis.

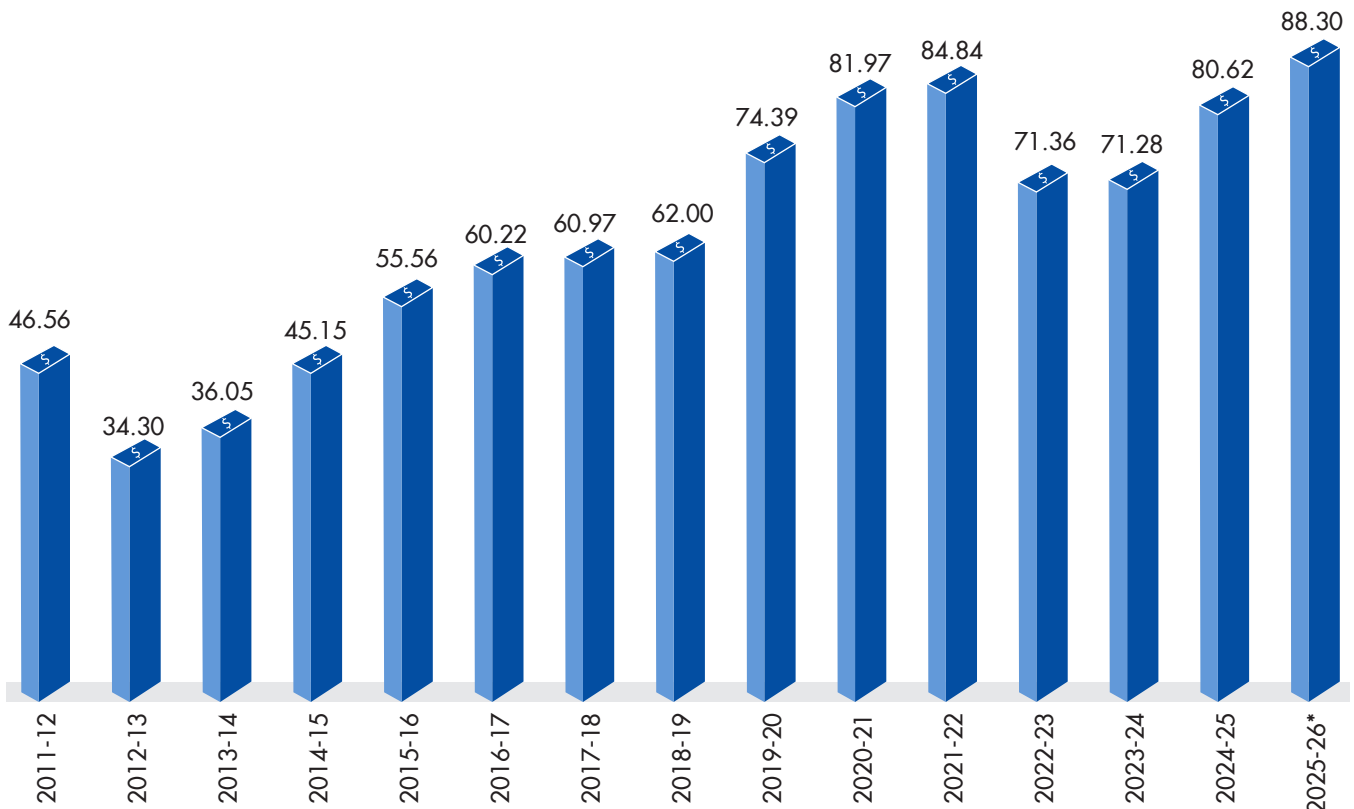
## Capital Flows: The Market Verdict on India’s Trade Policy

Over the past decade, India has progressively liberalised its FDI regime with its trade policy reforms, raising sectoral caps and easing norms across defence, insurance, pensions, construction, aviation, and retail.

More recently, 100% FDI has been permitted under the automatic route in areas such as coal mining, contract manufacturing, and insurance intermediaries. The Union Budget 2025 has proposed to increase the insurance cap to 100% for companies investing entirely in India.







These policy shifts are being validated by sustained capital inflows. Over the eleven fiscal years from FY2014 to FY2025, India attracted USD 749 billion in FDI — up 143% from the preceding eleven-year period, and accounting for nearly 70% of total inflows over the past 25 years. Cumulative FDI, including equity, reinvested capital, and other capital, crossed USD 1 trillion in FY2025. The investor base has broadened commensurately, with source countries increasing from 89 in FY2014 to 112 in FY2025. (Source: PIB)

### FDI Inflow (USD billion)



Source: RBI, Crisil Intelligence  
\*Data as of February 2026

### Top FDI Sources: FY2024-25

Country	FDI FY25 (USD B)	Strategic Driver
 Singapore	\$14.9	Top source – gateway for global capital into India
 Mauritius	\$8.3	Long-standing route for institutional investment
 United States	\$5.5	Growing US strategic and tech investment
 Netherlands	\$4.6	European fund flows through holding structures
 UAE	\$4.4	CEPA-driven Gulf capital surge
 Japan	\$2.5	Long-term infra & manufacturing investor

Source: Directorate General of Foreign Trade, ITC TradeMap, PIB, Crisil Intelligence

### The Road Ahead: A Compounding System, Not a Sum of Parts

India's emergence as a significant force in global trade is being driven by a rare convergence of durable structural forces rather than a temporary cyclical tailwind. For the first time in the country's modern economic history, three structural growth engines — policy reforms and logistics readiness, market access, and industrial capacity — are operating simultaneously and compounding upon each other.

A decade of regulatory simplification and maturing infrastructure has reduced the cost and complexity of doing business, improving manufacturing competitiveness. Expanding FTA coverage is widening access to key export markets, while initiatives such as PLI schemes and semiconductor incentives are translating policy intent into industrial scale and attracting fresh FDI.

Together, these forces are creating a self-reinforcing manufacturing-investment-export cycle, where the aggregate impact is greater than the sum of its parts.

## **Disclaimer**

The information contained in this document is provided solely for general informational purposes. It does not constitute and should not be construed as an offer to sell or a solicitation to buy any shares, units, or other securities. Nothing herein should be regarded as investment, legal, tax, or other professional advice.

UTI Asset Management Company Limited and UTI Mutual Fund (acting through UTI Trustee Company Private Limited) accept no liability for any loss or damage arising directly or indirectly from the use of this document. This includes, without limitation, any special, incidental, consequential loss or damage, or any loss resulting from errors, inaccuracies, omissions, defects, or interruptions in the document or related services.

Certain information presented may have been obtained from third-party sources. While such information is believed to be reliable, it has not been independently verified, and its accuracy or completeness cannot be assured. The Company makes no representation or warranty regarding the data or information herein and disclaims all responsibility for any reliance placed on it.

Stocks referred are illustrative and should not be construed as investment advice or a research report or a recommendation to buy or sell these stocks by UTI Mutual Fund/ AMC. Recipients are advised to conduct their own independent assessment of the information and obtain appropriate financial, legal, tax, or other professional advice before making any investment decisions.

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

