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Inverted Duty Reform

Strengthening India's Manufacturing Growth

The inverted duty structure (IDS) presents a significant barrier to the growth of India's manufacturing sector. IDS occurs when import duties or Goods and Services Tax (GST) on raw materials exceed those on finished products, making local production costlier than imports. This structure impacts 532 products across textile, electronics, chemicals, and metal sectors, covering about 36 percent of items examined. CUTS International's study finds IDS affects around 70 percent of imported inputs in these sectors, making domestic manufacturing less competitive due to higher production costs and import parity pricing.

The government's current review of the duty structure aims to eliminate duty inversion, ease trade, and resolve disputes. However, rationalising IDS is complex, as reducing input duties to aid downstream industries could harm upstream firms' competitiveness. For example, viscose staple fibre (VSF) production faces high costs due to import duties on wood pulp, despite zero-duty imports from ASEAN for finished VSF.

The solution requires careful balancing to make the entire value chain efficient without disadvantaging any segment. A sector- and product-specific approach will be essential to address IDS holistically, ensuring India's manufacturing sector remains competitive.

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Editor

Message for our Readers

The sixth edition of the National Affairs Monthly Brief contains selected published news or comments on trade, regulatory, and governance issues.

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Govt Aims to Strengthen CECA with Australia to Boost Exports

India is looking at further strengthening the pact on services with Australia in the proposed Comprehensive Economic Cooperation Trade Agreement (CECA) to boost the sector's exports. The two countries have already implemented an interim trade agreement in goods and services in December 2022 and are now under negotiations to expand its scope through CECA.



PM Gati Shakti: A Milestone in India's Infrastructure



Three years into the PM Gati Shakti National Master Plan, India's infrastructure is seeing transformative changes. The initiative promotes a coordinated approach to multi-modal connectivity, integrating road, rail, air, and waterways. It enhances logistics, streamlines projects, and reduces costs, positioning India for infrastructure-led growth.

- [World Bank to Double Agriculture Funding to US\\$9bn](#) | Agnieszka de Sousa, Economic Times, October 24, 2024
- [Biodiversity COP16: What is it, What is on the Agenda this Year](#) | Amitabh Sinha, Indian Express, October 23, 2024
- [PM Modi Announces 10-point Plan to Strengthen India-Asean Partnership](#) | Business Standard, October 10, 2024
- [Keeping Out of RCEP: Does it Hurt?](#) | Prasanna Mohanty, Fortune India, October 10, 2024



Draft Digital Competition Bill 2024: Impact on Smartphone Security

A study has revealed that India's draft Digital Competition Bill (DDCB) 2024 could shift away from the consumer welfare standard enshrined in the nodal competition law, the Competition Act, 2002. The DDCB's regulatory parameters seek to regulate various entities, which will undoubtedly impact various digital industries.



RBI Competes with Its Own Regulated Entities, Stifling Competition



The Reserve Bank Innovation Hub (RBIH) launched a unified lending interface (ULI) in August, surprising much of the industry. ULI aims to serve as a central repository of customers' financial and non-financial data, enabling banks and non-banks to offer loans to underserved customers.

- [CCI to Streamline Penalty Recovery for Defaulters](#) | Gireesh Chandra Prasad, Livemint, October 20, 2024
- [Enhancing Dispute Resolution and Competition for India's Economy](#) | Amit Bansal, Partner, Nandita Jain and Shruti Gupta, BW Online Bureau, October 19, 2024
- [Voluntary Group Insolvency Mechanism Expected in IBC](#) | Banikinkar Pattanayak, Economic Times, October 18, 2024
- [Ecommerce Companies Scrutinized for Dark Pattern Violations During Sales](#) | Shambhavi Anand, Economic Times, October 11, 2024



Rajasthan's New Scheme: A Strategic Move to Attract Investors

To promote private investment, the Rajasthan government has introduced the Rajasthan Investment Promotion Scheme (RIPS) 2024, which offers increased financial incentives to a wider range of sectors. The new flagship scheme improves upon RIPS 2022 by encompassing a wider range of sectors and offering increased financial incentives to support the establishment and operation of industries within these areas.



Rural Ministry Partners with Banks to Boost Employment



The Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY NRLM) under the Ministry of Rural Development signed an MoU with 10 banks. The loan products designed will help women obtain bigger-ticket loans to scale up their enterprises. This move is in line with the realisation of PM Modi's goal of making Lakhpati Didi.

- [India Needs a Balanced Approach to Anti-tobacco Messaging](#) | Bijaya Roy and Sohom Banerjee, Policy Circle, October 28, 2024
- [FSSAI May Scrutinise Quick Commerce, E-Commerce Platforms for Food Safety Violations](#) | Nabodita Ganguly, Outlook Business, October 25, 2024
- [Achieving Universal Health Coverage in India](#) | Business Today, October 23, 2024
- [How Safe are the Cars you are Driving on Indian Roads?](#) | Jasodhara Banerjee, Forbes India, October 21, 2024

In Media

- [Investment and local talent are essential for Industry 4.0.](#)
Dainik Bhaskar, October 22, 2024
- [A "Climate Plan" is Essential for the State's Secure Future](#)
By Pradeep S Mehta, Dainik Bhaskar, October 10, 2024
- [CUTS International Launches Jaipur-based Global Affairs Brain Trust](#)
India Education Diary, October 09, 2024

Publication

- My data or yours?" Unravelling Multi-Party Privacy (MPP) among Consumers of Digital Credit in India
<https://cuts-ccier.org/pdf/my-data-or-yours-unravelling-multi-party-privacy-among-consumers-of-digital-credit-in-india.pdf>