

Utilization and Impact of Foreign Trade Agreement and Tariff Preference Scheme on Indian Exporters

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Abstract

Purpose of the Study:

The study aims to examine how Indian exporters utilize Foreign Trade Agreements (FTAs) and Tariff Preference Schemes (TPSs), assess their level of awareness, and evaluate the resulting impact on export performance, competitiveness, and revenue growth. It also seeks to identify the barriers that limit optimal use and suggest measures to enhance effective participation.

Methodology:

The research adopts a descriptive design using both primary and secondary data. Primary data were collected through a structured Google Form survey from 30 exporters in Gujarat and Maharashtra. Tools used include Microsoft Excel and SPSS for statistical analysis, supported by literature review and government trade reports. Sampling method applied was non-probability convenience sampling.

Main Findings:

The study reveals that while most exporters are aware of FTAs and TPSs, only a limited number actively utilize them. Major agreements in use include SAFTA, India–UAE CEPA, and India–ASEAN FTA. Key benefits identified are increased the competitiveness of products in global markets and encourage long-term trade relationships. Positive Impacts like reduced dependence on traditional export markets, international market access, revenue growth and higher profitability. However, challenges such as complex documentation, Delays in getting certificate of origin (CoO), and Difficulty in determining rules of origin.

Applications of the Study:

The study is useful for policymakers, trade promotion councils, export associations, and government agencies working on international trade. It also provides insights for academic

researchers, consultancy firms, and exporters seeking to leverage FTAs and TPSs for strategic market expansion and competitive advantage.

Novelty/Originality of the Study:

This study uniquely combines sector-wide exporter perspectives with empirical findings from a focused regional sample. It highlights the gap between policy and practice, offering fresh insights into awareness levels and usage patterns of FTAs and TPSs among SMEs. It advances knowledge by emphasizing the need for simplified procedures and digital facilitation to enhance FTA utilization.

Keywords: Foreign Trade Agreements, Tariff Preference Schemes, Indian Exporters, Export Competitiveness, Trade Policy, Market Access

Introduction

In today's global economy, international trade plays an essential role in driving growth and competitiveness, particularly for emerging economies like India. To strengthen its trade position, India has signed multiple Free Trade Agreements (FTAs) and Tariff Preference Schemes (TPSs) with regions such as ASEAN, SAFTA, the European Union, and partner countries like Japan, South Korea, the United Arab Emirates, and Australia. These agreements are intended to lower trade barriers, reduce tariffs, and create better access to global markets. (Ministry of Commerce & Industry, 2025)

Despite these opportunities, the actual use of FTAs and TPSs by Indian exporters remains relatively low. Many exporters face challenges like complex compliance procedures, documentation issues, and a lack of awareness about the benefits of these agreements. For small and medium enterprises (SMEs), these obstacles can discourage participation, limiting their ability to gain from preferential access to international markets.

The research problem addressed in this study is that many Indian exporters, particularly small and medium-sized firms, are not fully utilizing FTAs and TPSs, which limits their ability to maximize export opportunities and stay competitive. Although the government invests resources in negotiating these agreements, their effectiveness depends largely on how well exporters understand and apply them in practice.

The motivation for this study arises from India's growing role in global trade and the pressing need to improve exporters' competitiveness. With India's exports crossing USD 778 billion in 2023–24 (Press Information Bureau, 2025), understanding the effectiveness of FTAs and TPSs becomes crucial for sustaining and expanding this momentum.

Research Objectives:

1. To identify which FTAs and TPSs are being used by Indian exporters.
2. To analyse the perceived benefits of these agreements on export competitiveness.
3. To evaluate the impact of FTAs and TPSs on export revenue and market expansion.
4. To explore the challenges faced by exporters in availing the benefits of such agreements.

Literature Review

1. (Williams & Behera, 2025) The study highlights trade agreements and tariff-preference schemes as crucial tools for improving market access and economic cooperation. While liberal trade has driven growth and poverty reduction, protectionist measures can disrupt trade and trigger retaliation, and globalization may also cause inequality and job displacement. The authors conclude that policymakers must balance FTA-led export gains with social and economic impacts to achieve inclusive and sustainable growth.
2. (Bajaj & Sharma, 2025) The study found that low awareness and complex procedures limit FTA utilization among Indian textile exporters, particularly SMEs. Heavy documentation requirements and inadequate institutional support discourage participation. It recommends simplified procedures, digital tools, and targeted outreach to enhance FTA accessibility and export competitiveness.
3. (Mudoi & Tamuli, 2025) This study analyses the impact of Donald Trump's tariff policies on Indian exports, especially in steel, aluminium, textiles, and agriculture. Higher tariffs reduced competitiveness and market access, prompting India to diversify trade strategies and strengthen domestic capabilities. The study highlights the need for strategic policies to sustain export growth amid global protectionism.
4. (Economic Times, 2025) The study reveals that many of India's FTAs have increased imports more than exports, indicating structural trade imbalances. High MFN tariffs, non-tariff barriers, weak logistics, and policy misalignment have constrained export gains. It recommends redesigning FTAs to better support exports through policy coherence, production incentives, and improved trade facilitation.
5. (Govindharaj, 2025) This study examines the indirect effects of the U.S.–China trade war and Trump-era tariffs on India's trade. While supply chain shifts created limited opportunities, sectors such as textiles, pharmaceuticals, and agriculture faced increased competition and vulnerability. Overall, India's export gains were modest & the trade deficit with China widened, highlighting the need for strategic trade reforms and resilient policies.
6. (The Economic Times News, 2025) In FY 2024–25, Indian exporters increasingly utilized FTAs, with Certificates of Origin under Australia FTA up 19% and the UAE FTA up 24.7%. Key sectors like textiles, gems, engineering goods, and food products benefited from tariff concessions, reflecting rising awareness & better adoption of tariff preference schemes.
7. (Mudoi & Tamuli, Trade Turbulence: India's Economic Journey Under U.S. Tariff Influence, 2025) This study analyses the impact of U.S. tariff policies under Donald Trump on India's trade, focusing on steel, aluminium, textiles, and agriculture. The tariffs reduced export competitiveness but prompted market diversification and stronger domestic production. The findings highlight India's resilience and adaptive trade policies in response to protectionist challenges.
8. (Treelife, 2025) The study highlights challenges faced by Indian exporters due to global trade barriers, particularly non-tariff barriers such as regulatory delays and documentation requirements. Although FTAs and tariff preference schemes aim to improve market access, procedural inefficiencies limit their effectiveness. The study calls for stronger government support, clearer policies, and exporter training to enhance FTA utilization.
9. (Jagota, 2024) A GTRI study finds that India grants more tariff concessions under FTAs than it receives in export gains, with only a small share of exports benefiting from zero tariffs.

High compliance costs, low MFN tariffs, and non-tariff barriers discourage exporters from using FTA routes. The study emphasizes the need for reciprocal access, sector safeguards, and simplified procedures to enhance exporter competitiveness.

10. (Suriaganth & Abdullah, 2024) The study finds that India’s FTAs have boosted trade volumes, but benefits are uneven as imports often exceed exports. While IT and services sectors have gained, SMEs show low FTA utilization due to regulatory and non-tariff barriers. It recommends raising awareness, simplifying procedures, and enhancing sector competitiveness to support export growth.

Methodology

This study is survey-based and descriptive in nature, designed to analyse the utilization and impact of Foreign Trade Agreements (FTAs) and Tariff Preference Schemes (TPS) among Indian exporters. The research followed a quantitative approach to collect measurable insights on exporter awareness, utilization levels, and perceived benefits. Primary data were collected from 30 Indian exporters using a structured questionnaire created through Google Forms. The survey included multiple-choice and five-point Likert scale questions, divided into sections on exporter profile, awareness, utilization, and challenges. Respondents were selected using a non-probability convenience sampling method to ensure representation from diverse sectors and firm sizes. The collected data were organized and analysed using Microsoft Excel 2021 (Microsoft Corporation, USA) for descriptive statistics, frequency analysis, and graphical representation through bar and pie charts.

Analysis

Table 1. Exporting Since, Main Sectors of Operation, Annual Export Turnover

Years	Frequency	Sectors	Frequency	Annual Turnover	Frequency
1	5	Textiles and Apparel	6	Below ₹1 crore	7
2	3	Automotive and Auto Components	1	₹1 crore – ₹10 crore	14
3	1	Pharmaceuticals	3	₹10 crore – ₹50 crore	5
4	1	Building Materials	2	₹50 crore – ₹100 crore	3
5	5	Agriculture and Food Processing	6	Above ₹100 crore	1
10	3	Electronics and Electrical Equipment	2		
11	1	Engineering Goods	3		
15	3	Chemicals and Petrochemicals	6		
More	8	IT and It-enabled Services	2		
		Other	8		

Table 1 indicates a diverse mix of exporter experience, with the largest group in the “More” category (8 respondents) and notable representation at 1 year and 5 years (5 each), indicating both new and highly experienced exporters. Sectorally, Textiles and Apparel, Agriculture & Food Processing, and Chemicals & Petrochemicals (6 each) dominate, reflecting India’s traditional export strengths. Most firms fall in the ₹1–₹10 crore turnover range (14), confirming the SME-

dominated nature of the export ecosystem. Higher turnover categories have fewer firms, showing limited presence of large-scale exporters. Overall, the data reflects a broad-based but mid-scale export structure with sectoral concentration in key industries.

Chart 1. Level of Awareness

Chart 2. How They Learn About FTAs & TPSs

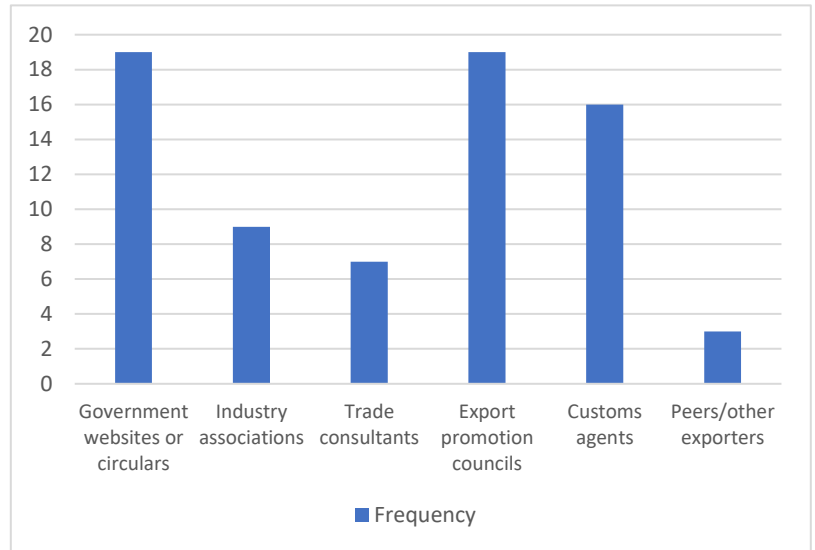
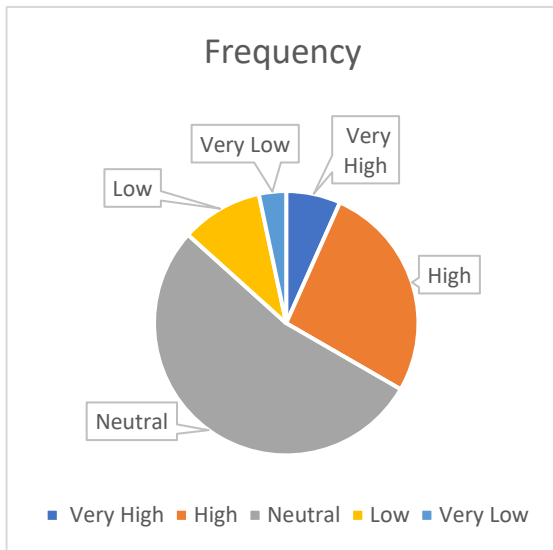


Chart 1 & 2 indicates that a majority of respondents have a neutral level of awareness (16) about FTAs and TPSs, while only a smaller proportion report high or very high awareness. This suggests partial knowledge rather than in-depth understanding among exporters. In terms of information sources, government websites/circulars and export promotion councils (19 each) are the most relied upon. Customs agents (16) also play a significant role in disseminating information. Peer networks and trade consultants are comparatively less used, highlighting dependence on formal and institutional channels.

Chart 3. Aware of any FTAs or TPSs India has Signed

Chart 4. Currently Availing

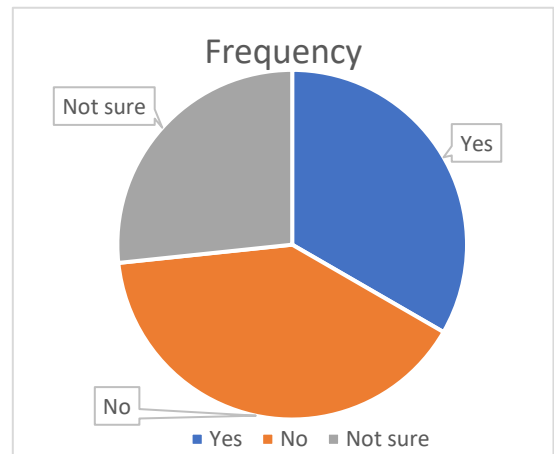
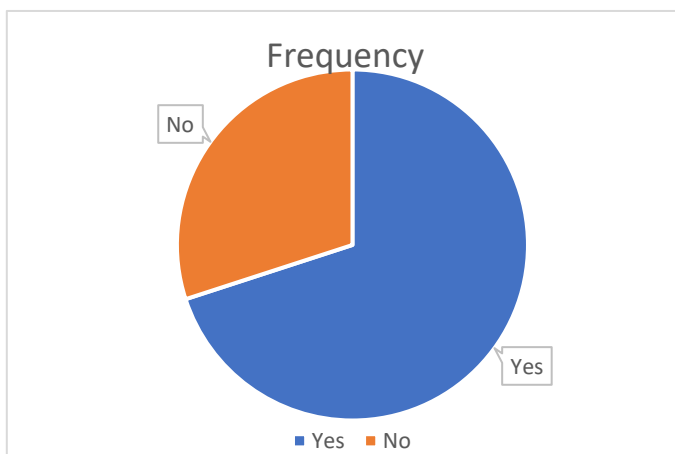


Chart 3 & 4 indicates that a majority of respondents (21 out of 30) are aware of FTAs or TPSs signed by India, indicating fairly high general awareness. However, actual utilization remains limited, as only 10 respondents are currently availing these schemes. 12 respondents are not using FTAs/TPSs, while 8 are not sure, highlighting uncertainty and gaps in practical application. This reflects a clear disconnect between awareness and effective utilization of trade agreements.

Chart 5. Export Country or Region

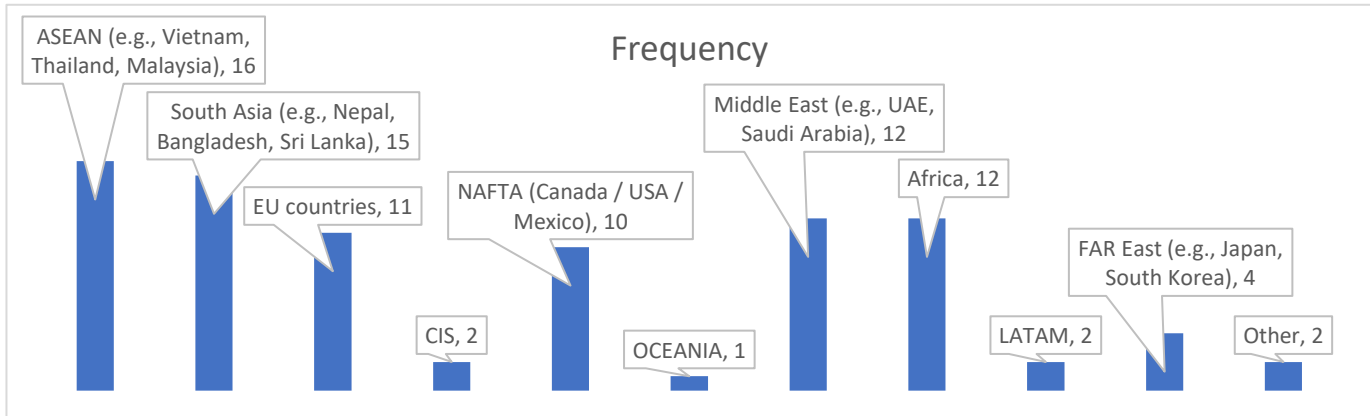
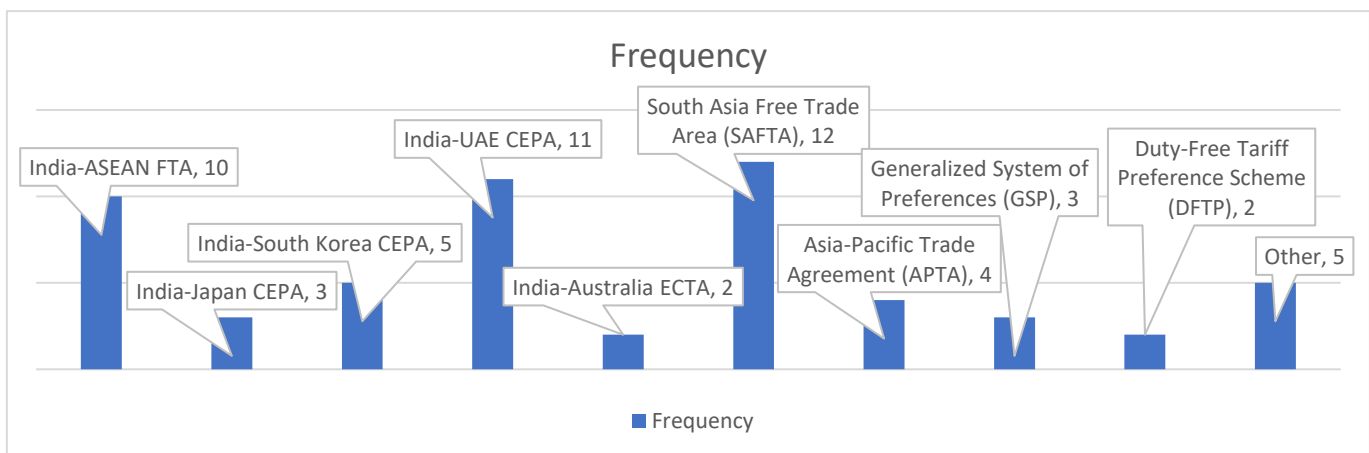


Chart 5 indicates that exports are most concentrated in ASEAN (16) and South Asia (15), followed by the Middle East and Africa (12 each), indicating strong regional trade linkages. Moderate export activity is observed with EU countries (11) and NAFTA nations (10), while relatively low engagement is reported with the Far East (4) and other regions. Overall, the findings suggest a regional focus in export patterns, with comparatively limited penetration into distant or emerging markets.

Chart 6. FTAs or TPSs Used by Indian Exporters

Chart 6 indicates that the most commonly used trade arrangement among Indian exporters is the



South Asia Free Trade Area (SAFTA) (12), followed by the India–UAE CEPA (11) and the India–ASEAN FTA (10). Moderate usage is observed for the India–South Korea CEPA (5) and the Asia–Pacific Trade Agreement (APTA) (4), while relatively limited utilization is reported for the India–

Japan CEPA (3), GSP (3), DFTP (2), and the India–Australia ECTA (2). Overall, the findings suggest that Indian exporters predominantly rely on regional and bilateral agreements, with comparatively lower adoption of broader multilateral or preferential schemes.

Chart 7. Importance While Choosing Target Market

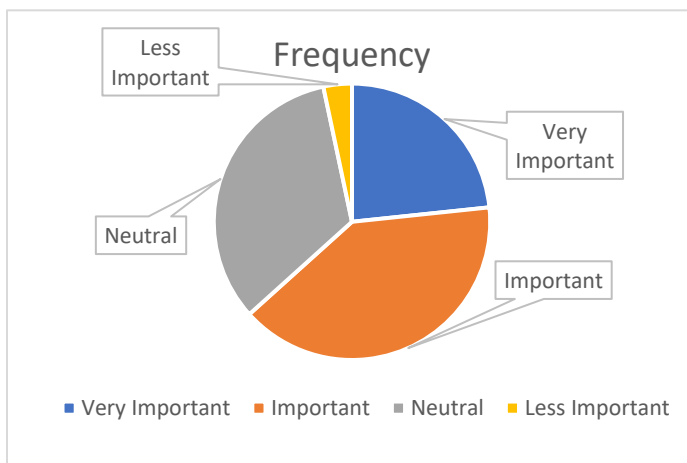


Chart 8. Price Customization

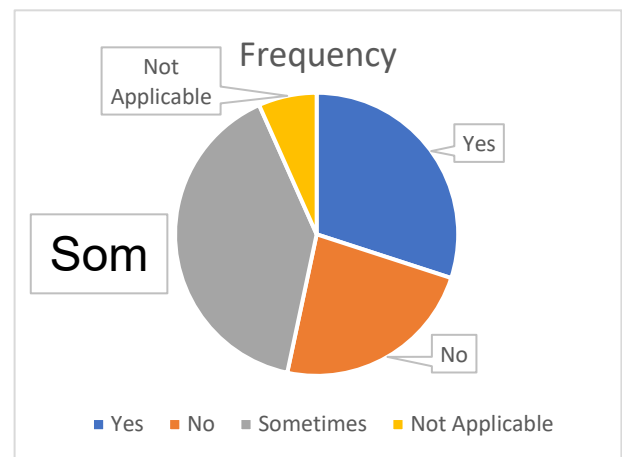


Chart 7 & 8 indicates that FTAs and TPSs play a significant role in exporters’ market and pricing decisions. Most respondents consider them *important* (12) or *very important* (7) when selecting target markets, underscoring their strategic relevance. Similarly, a majority reported that they *sometimes* (12) or *do* (9) customize prices based on FTAs and TPSs, reflecting adaptive pricing behaviour. Overall, the results suggest that FTAs and TPSs strongly influence both market selection and pricing strategies among exporters.

Chart 9. Non-tariff Barriers

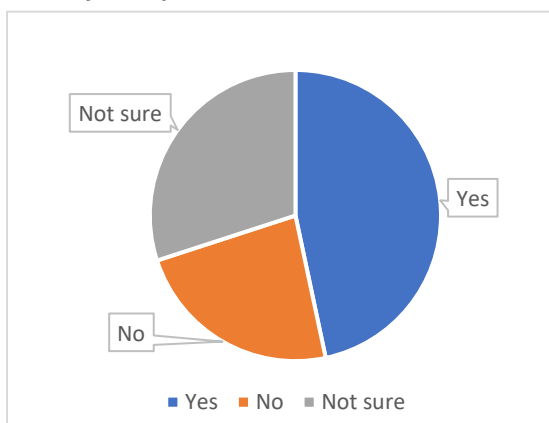


Chart 10. Types of Non-tariff Barriers

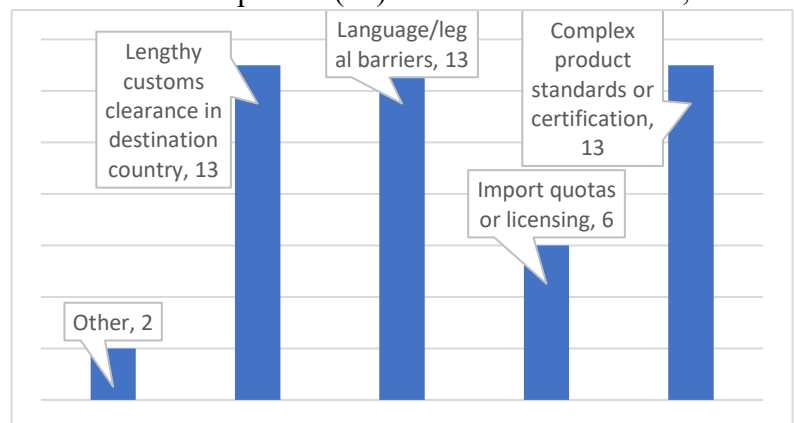


Chart 9 & 10 indicates that a considerable number of Indian exporters (14) face non-tariff barriers,

while 7 do not and 9 remain unsure, indicating varied awareness and experience. The most prominent barriers reported were lengthy customs clearance procedures, language/legal barriers, and complex product standards or certification requirements (13 each). Import quotas or licensing were less frequently cited (6), and only a few mentioned other barriers (2). Overall, procedural and

regulatory issues emerge as the major non-tariff challenges for Indian exporters.

Chart 11. Government or Industry Support

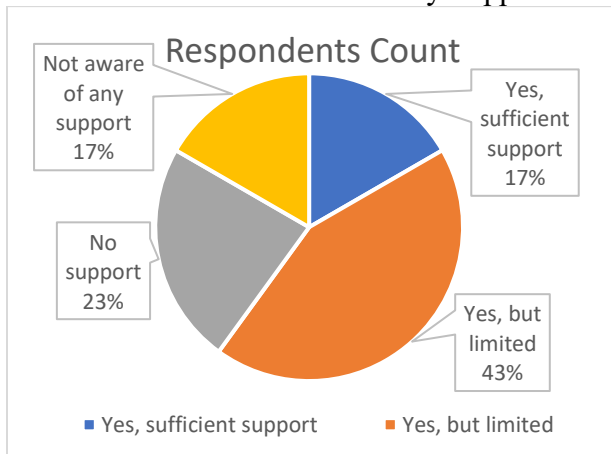


Chart 11 indicate that while a majority of exporters receive some form of government or industry support, most of them (43%) perceive it as limited. Only 17% reported receiving sufficient support, whereas 23% stated that they receive no support and 17% were not aware of any available support. Overall, this suggests gaps in both the adequacy and awareness of support mechanisms among exporters.

Table 2. Benefits of FTAs & TPSs

Benefits	Mean Value
FTAs have increased the competitiveness of our products in global markets.	3.63
FTAs encourage long-term trade relationships with partner countries.	3.53
FTAs make it easier to access international markets.	3.5
FTAs help reduce overall export costs.	3.4
FTAs help us offer better pricing compared to competitors.	3.27
Tariff preferences have led to higher export volumes.	3.13

Interpretation

Table 2 indicate that exporters view increased product competitiveness in global markets as the primary benefit of FTAs and TPSs, evidenced by the highest mean score of 3.63. This is closely followed by strategic advantages, such as fostering long-term trade relationships (3.53) and gaining easier market access (3.5). While financial incentives like reduced export costs (3.4) and better pricing capabilities (3.27) are acknowledged, they are rated slightly lower than strategic positioning. Notably, the direct impact on higher export volumes received the lowest mean score (3.13), suggesting that exporters value the stability and competitive edge provided by these agreements more than just an immediate increase in sales quantity.

Table 3. Impact of FTAs & TPSs

Positive Impacts	Mean Values
FTAs have reduced dependence on traditional export markets.	3.37

We have been able to enter new international markets due to FTAs.	3.27
FTAs have led to significant revenue growth for our exports.	3.27
FTAs have contributed to higher profitability in our export business.	3.27
The volume of our exports has increased due to tariff concessions.	3.03

Table 3 indicate that the primary positive impact of these agreements is strategic diversification, with reduced dependence on traditional export markets scoring the highest mean value of 3.37. This is followed by an equal rating of 3.27 for entering new international markets, achieving revenue growth, and improving profitability, indicating a balanced contribution to both expansion and financial health. Conversely, the increase in export volume due to tariff concessions received the lowest mean score of 3.03. This suggests that while FTAs are effective for opening new avenues and boosting margins, their direct impact on increasing the sheer quantity of goods exported is perceived as less significant compared to the strategic benefits.

Table 4. Challenges Of FTAs & TPSs

Challenges	Mean Values
Complex documentation requirements.	3.3
Delays in getting certificate of origin (CoO).	3.13
Difficulty in determining rules of origin.	3.13
Limited guidance or support from government authorities.	3.1
Lack of awareness or understanding of FTAs.	3.1
Administrative burden and compliance costs.	3.03
Lack of in-house expertise or trained staff.	3.03

Table 4 indicate that procedural complexity is the most significant hurdle for exporters, with "Complex documentation requirements" receiving the highest mean score of 3.3. This is followed closely by technical operational issues, specifically delays in obtaining Certificates of Origin (CoO) and difficulties in determining rules of origin, both tied at 3.13. Moderate challenges include a lack of external support and general awareness (3.1), indicating an information gap. Interestingly, direct administrative costs and a lack of in-house expertise (3.03) are viewed as the least severe challenges relative to the regulatory red tape itself.

Table 5. Awareness of FTAs & TPSs Among Respondents & How They Learn About It

Particulars	Very Low	Low	Neutral	High	Very High	Mean Value
Government Website	1	6	10	2	0	3.4
Industry associations	2	1	6	0	0	1.47
Trade Consultant	1	0	4	1	1	1.47
Export Promotion Councils	2	3	12	2	0	3.47
Custom Agents	1	4	10	1	0	2.87
Peers/Other Exporters	0	1	2	0	0	0.53
I am not aware of any sources	0	1	0	1	0	0.4

Table 5 reveal that exporters rely heavily on official channels for information, with Export Promotion Councils (3.47) and Government Websites (3.4) ranking as the most significant sources of awareness. Custom Agents (2.87) play a moderate role, while private and informal sources like Industry Associations (1.47), Trade Consultants (1.47), and Peers (0.53) are utilized significantly less. This indicates a strong dependence on formal government-backed institutions rather than peer networks or private consultants for understanding trade agreements.

Table 6. Awareness of FTAs & TPSs Among Respondents & Are They Aveling FTAs or TPSs

	Are you currently availing any Free Trade Agreements (FTAs) or Tariff preference schemes?			Total	
	No	Not sure	Yes		
Are you aware of any FTAs or Tariff preference schemes that India has signed?	No	4	5	0	9
	Yes	8	3	10	21
Total		12	8	10	30

Table 6 of cross-tabulation reveals a significant gap between awareness and utilization; while 21 out of 30 respondents are aware of FTAs and TPSs, only 10 are currently availing themselves of these benefits. This indicates that awareness does not automatically translate to adoption, as a substantial portion of aware exporters (11 respondents) are either not using the schemes or remain unsure about their participation status.

Chart 12. Main Sector of Operations & Countries or Regions They Export To

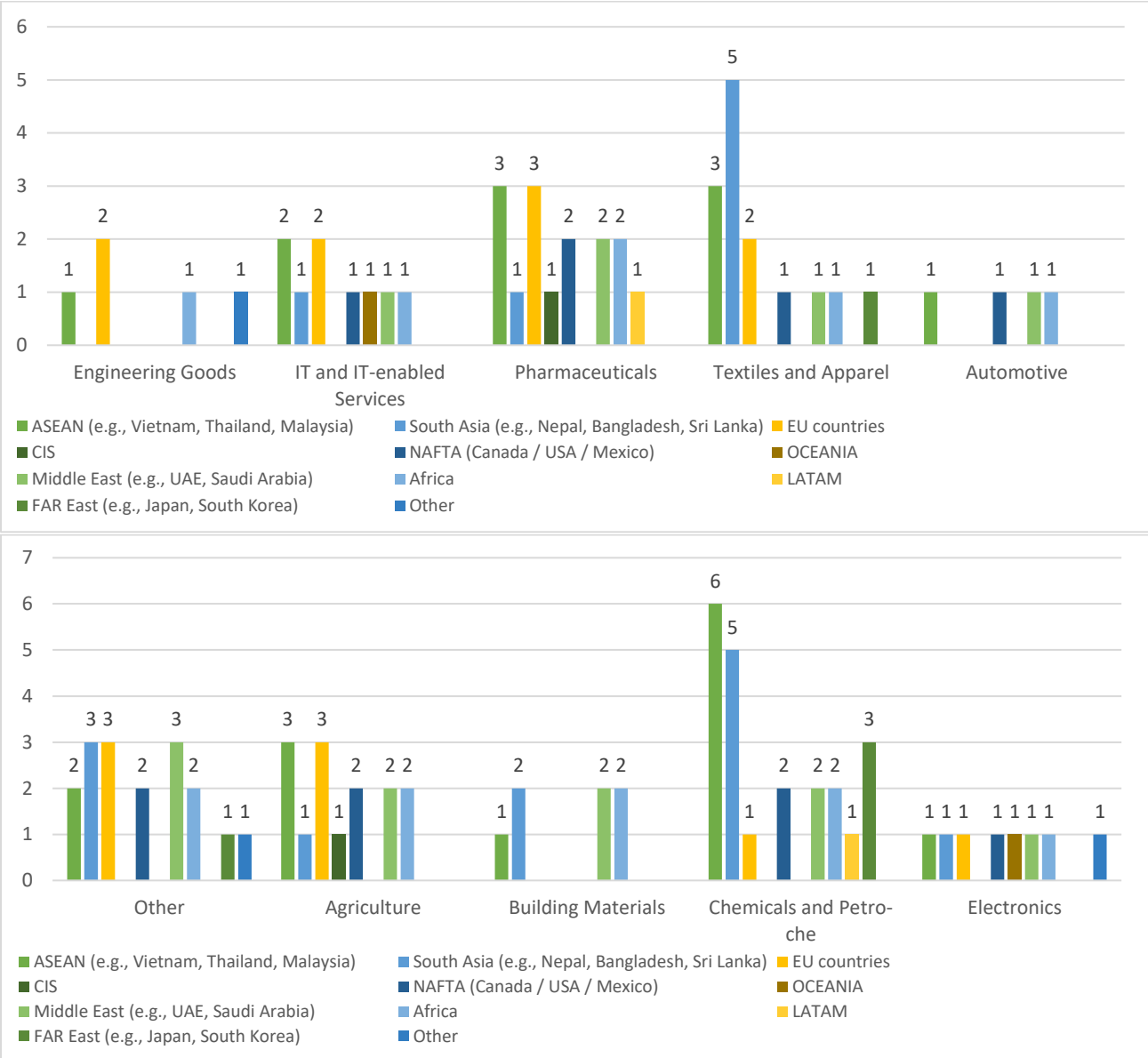


Chart 12 illustrates the main sectors in which respondents operate and the countries or regions they export to, highlighting both the nature and direction of their export activities. Respondents engaged in Textiles and Apparel export to a wide range of regions, mainly South Asia, ASEAN, and the EU, showing broad market coverage. Exporters in the Chemicals and Petrochemicals sector primarily target ASEAN and South Asia, indicating strong regional demand for chemical products. Other sectors show comparatively limited but focused export destinations. Overall, the chart demonstrates that respondents are involved in diverse export sectors with ASEAN and South Asia emerging as the most prominent export regions.

Findings

The study reveals that while awareness of Free Trade Agreements (FTAs) is high among Indian exporters (70%), actual utilization remains significantly lower at 30%, indicating a substantial "awareness-utilization gap". Export activities are heavily concentrated in ASEAN and South Asian markets, with SAFTA and the India-UAE CEPA being the most utilized frameworks. Although exporters recognize that these agreements enhance global competitiveness and help diversify markets away from traditional destinations, they are frequently deterred by technical and administrative hurdles, specifically complex documentation requirements and delays in obtaining Certificates of Origin. Furthermore, the findings highlight a critical need for improved institutional support, as over 60% of respondents currently receive limited or no assistance, suggesting that simplifying compliance procedures and enhancing proactive government outreach are essential for maximizing the benefits of India's trade policy.

Conclusion

The research concludes that Free Trade Agreements (FTAs) and Tariff Preference Schemes (TPSs) are vital but underutilized instruments for India's export growth. While there is a high level of awareness among exporters (70%), a significant "utilization gap" remains, as only 30% of respondents actively leverage these agreements. This discrepancy is largely driven by technical and administrative hurdles, such as complex documentation, delays in obtaining Certificates of Origin, and a lack of effective institutional support. Nevertheless, exporters recognize that these frameworks are essential for enhancing global competitiveness and diversifying markets beyond traditional destinations. To bridge this gap, the study recommends transitioning toward simplified, digital-first compliance and more proactive government-led outreach programs to ensure trade benefits reach the grassroots level.

Limitations and Study Forwards

The study is primarily limited by its small sample size of 30 respondents and its narrow geographical focus on exporters in Gujarat and Maharashtra, which may not fully represent the diverse challenges faced across all of India. Additionally, the reliance on self-reported survey data introduces potential subjective bias regarding the severity of trade barriers. Looking forward, future research should conduct sector-specific deep dives into high-potential industries like pharmaceuticals or textiles to identify niche regulatory obstacles. There is also a significant opportunity for longitudinal analysis to track the long-term impact of newer agreements, such as the India-UAE CEPA, and to evaluate how digitalization initiatives like the e-CoO platform are effectively reducing administrative burdens for Indian businesses.

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