

International Trade

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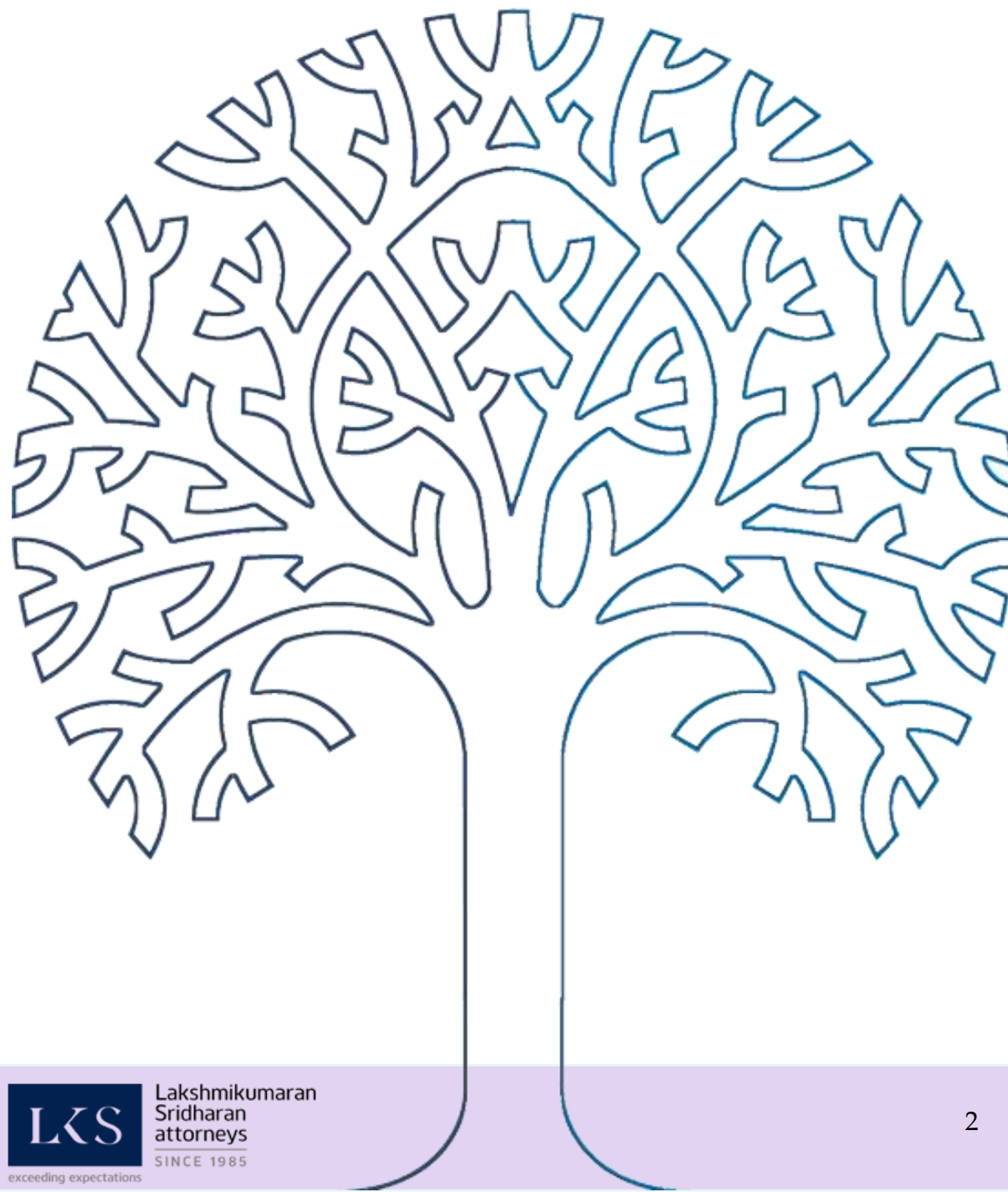
June 2025 / Issue –166



An e-newsletter from  
**Lakshmikumaran & Sridharan, India**

## Table of Contents

<b>Article .....</b>	<b>3</b>
EU simplifies CBAM but does not address the underlying issues .....	4
<b>Trade Remedy News .....</b>	<b>12</b>
Trade remedy measures by India .....	14
Trade remedy measures against India .....	16
<b>WTO News .....</b>	<b>18</b>
<b>India Customs &amp; Trade Policy Update.....</b>	<b>20</b>
<b>India FTA Update .....</b>	<b>23</b>
<b>Ratio Decidendi.....</b>	<b>26</b>





# Article

## EU simplifies CBAM but does not address the underlying issues

*By Ankur Sharma, Aayush Rastogi and Nikita Chauhan*

The European Council and the European Parliament recently reached a provisional agreement on the Omnibus-I legislative package, which seeks to simplify the European Union's Carbon Border Adjustment Mechanism ('CBAM'). Omnibus-I aims to reduce the compliance burden on European importers, particularly small and medium-sized enterprises (SMEs) and simplify CBAM mechanism for them. The article however notes that despite these internal simplifications, significant challenges persist for Indian exporters and other third-country suppliers navigating the EU's evolving carbon regulation landscape. The authors first discuss Omnibus-I and then highlight certain key issues that need to be addressed before the definitive phase of CBAM begins.



# EU simplifies CBAM but does not address the underlying issues

By Ankur Sharma, Aayush Rastogi and Nikita Chauhan

On 18 June 2025, the European Council and the European Parliament reached a provisional agreement on the **Omnibus-I legislative package**: which seeks to simplify the European Union's Carbon Border Adjustment Mechanism (CBAM).<sup>1</sup> Omnibus-I aims to reduce the compliance burden on European importers, particularly small and medium-sized enterprises (SMEs) and simplify CBAM mechanism for them. However, despite these internal simplifications, **significant challenges persist for Indian exporters** and other third-country suppliers navigating the EU's evolving carbon regulation landscape. Further, Omnibus-I does not address the underlying issues at the heart of CBAM reporting, which begs the question whether the European Commission is even aware of the evolving ground realities. We first discuss Omnibus-I and then highlight certain key issues that need to be addressed before the definitive phase of CBAM begins.

## What is CBAM?

CBAM is a central component of the European Union's '*Fit for 55*' package, which aims at reducing greenhouse gas

emissions by at least 55% by 2030, relative to 1990 levels. CBAM places a carbon price on the embedded emissions in imported goods of **six carbon-intensive sectors** namely cement, aluminium, iron and steel, hydrogen, electricity, and fertilisers (CBAM goods).

The EU claims that CBAM has been designed to put a fair price on the carbon emitted while manufacturing the goods being imported into the EU and prevent carbon leakage, a phenomenon where businesses start relocating industries to or import products from countries, with less stringent environment policies, apparently to circumvent the cost-intensive climate policies in the EU.

## How is CBAM being implemented?

CBAM is being implemented in two distinct phases:

### 1. Transitional phase (October 2023 – December 2025):

During this phase, the EU importers are required to declare the embedded emissions of imported CBAM goods. However, they are not yet required to

<sup>1</sup> [Carbon border adjustment mechanism \(CBAM\): Council and Parliament strike a deal on its simplification - Consilium](#)

purchase and furnish CBAM certificates based on these emissions meaning thereby, there is no financial liability as such during the transitional phase. This phase aims businesses familiarising themselves with the nuances of CBAM, coordinate with internal and external stakeholders to collect the relevant data, and adapt to the reporting requirements. At the same time the European Commission could use this phase to collect country-wise emissions data, identify potential issues, and make necessary changes and adjustments to the CBAM regulation.

## 2. Definitive Phase (Starting January 2026)

From 2026, the EU importers would be required to purchase and furnish CBAM certificates to a certain threshold in advance. The liability shall be finalised in 2027 after the CBAM reports are verified. This would effectively put a carbon cost on the imported CBAM goods.

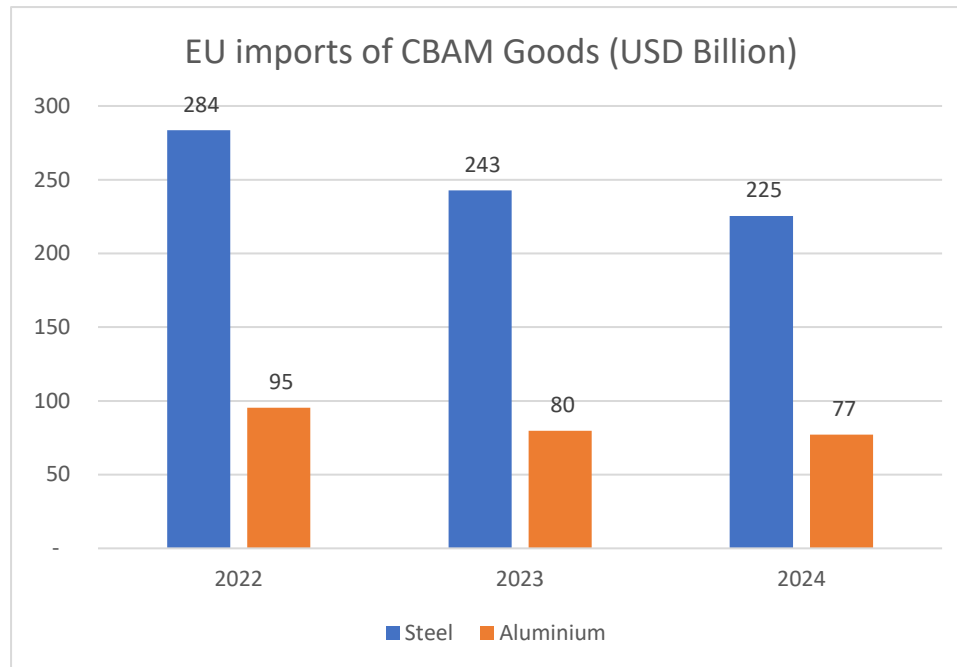
Although the transitional phase does not involve financial obligations, it has already begun to influence trade flows which highlights its practical impact.

## Impact of CBAM on imports into the EU and Indian exports

Over the course of the ongoing transitional phase, six quarterly reports have been submitted by European importers to the European Commission. Trade data reveals that even without any financial implication, there has been a significant decline in the import of CBAM goods into the EU. Specifically, in comparison to 2022, in 2024 –

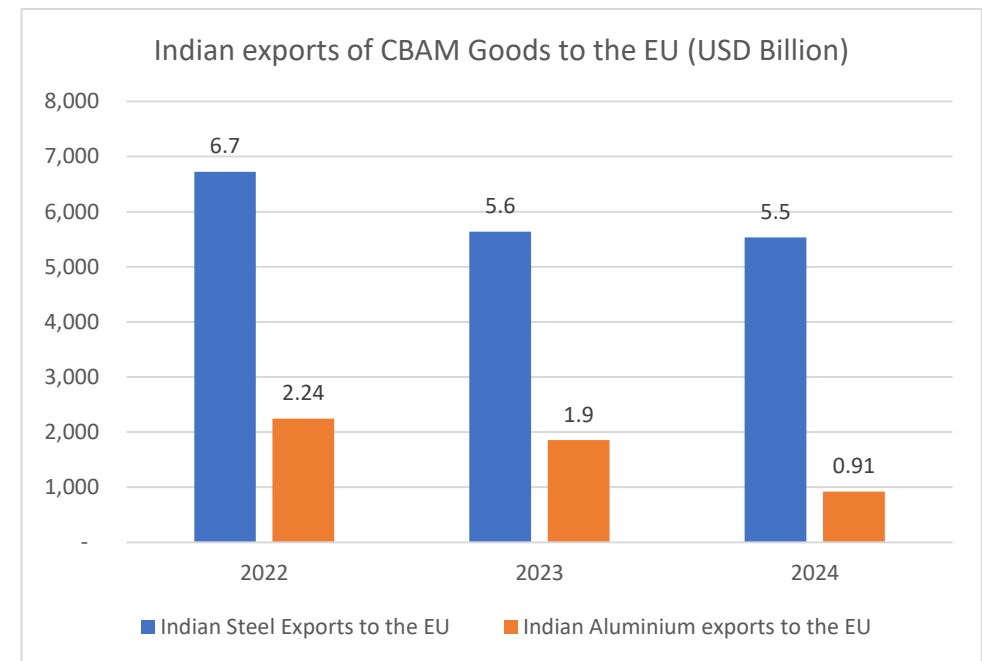
- **steel and steel products imports have declined by 21%**
- **aluminium imports have dropped by 19%**

This downward trend is expected to intensify as CBAM enters its definitive phase in 2026 and European importers are required to purchase and surrender CBAM certificates based on the embedded emissions of their imports. This drop can be attributable to certain other factors as well such as decline in demand and trade protection measures by the EU such as safeguard duties on imports of steel. The trend of EU imports of CBAM goods under the iron and steel (in HSN chapters 72 and 73) and **aluminium** (in HSN Chapter 76) sectors is as below:



Source: ITC Trade Map

A deeper analysis of the import data shows that there has been a significant reduction in the imports of primary iron and steel goods, like bars, rods, angles, etc. A similar declining trend can be observed in the exports of CBAM goods from India to the EU as well.



Source: ITC Trade Map

In addition to decline in exports of primary iron and steel products, the exports of Indian aluminium products have also declined significantly. In comparison to 2022, in 2024, while the Indian exports of steel products decreased by 18%, the aluminium exports had a steeper fall of 59%. These trends highlight that even in the absence of any financial implication under the CBAM, the compliance obligations under CBAM transitional phase may have contributed to altering trade dynamics. The imports might plummet further once the

definitive phase comes into effect in 2026 as the complexities of compliance will then be accompanied by

the financial implication of purchasing CBAM certificates by the EU importers. Such decisions must rely on accurate CBAM data, for which the EU importers depend on their overseas suppliers where the actual manufacturing of CBAM goods occurs.

## Why is the EU simplifying CBAM?

In light of the growing concerns about complexity and administrative burden, especially for SMEs, the European Commission has proposed a set of simplification measures to smoothen the implementation process.

### Key highlights of the Omnibus-I simplifications:

1. **Quantum based exemption threshold introduced:** Currently, import consignments of a value below EUR 150 are exempted from compliance requirements of the CBAM. Omnibus-I revises the exemption threshold to a cumulative quantum-based threshold of **50 tonnes of imports of CBAM goods per importer per calendar year**. According to the EU, this shift will **exempt nearly 90% of importers** while still covering **99% of emissions** under the

mechanism.<sup>2</sup> This threshold applies to sectors other than hydrogen and electricity.

An **important caveat for third-country manufacturers** is that this proposed **exemption applies to importers within the EU**, and not manufacturers in third countries such as India. This means that even if a manufacturer is exporting less than 50 tonnes to the EU but its EU customer is cumulatively importing more than 50 tonnes, then even such manufacturers will be required to continue monitoring and reporting their CBAM data to their EU customer.

2. **Verification requirements limited to actual values only:** Omnibus-I states that the verification of embedded emissions by accredited verifiers must be done for the actual emission values only, as the default values are being prescribed by the EU after careful examination and analysis. To further simplify the process, it has been proposed that the accredited verifiers should have access to the CBAM Registry, from where the emission values can be verified directly, after obtaining permissions from the manufacturers in non-EU countries.

<sup>2</sup> [CBAM: Deal with Council to simplify EU carbon leakage instrument | News | European Parliament](#)

However, since July 2024 onwards, the permitted share of default values was capped at 20%<sup>3</sup>, which would limit the impact of this simplification. Therefore, even though the verification has been proposed to be limited to actual values, 80% of the emissions remain subject to verification.

3. **Carbon price paid in third countries taken into account:** The CBAM Regulation takes into account the carbon price paid in the '*country of origin*'. Omnibus-I modifies this to carbon price paid in '*a third country*', thereby providing increased flexibility in adjusting the carbon price already paid in third countries and removing the burden to identify country of origin. The simplification further proposes to introduce default carbon prices that may be used in cases where the effectively paid carbon price cannot be determined. This modification will allow adjustment of the carbon price already paid in a third country without having the burden to prove that it is the country of origin.

4. **Reduced Financial Obligation for management of CBAM Certificates:** As per the existing CBAM Regulation, a CBAM declarant in the EU must ensure that the number of CBAM certificates available on its account in the CBAM Registry correspond to at least 80% of the embedded emissions at the end of each quarter. Omnibus-I proposes to reduce this to 50%. This proposed modification reduces the financial burden on EU importers and allows them to free up capital that would otherwise remain locked in.
5. **Exclusion of Input Materials procured from the EU:** If the raw materials (precursors) have already been subject to the EU Emission Trading System ('ETS'), their embedded emissions will not be accounted for in the calculation of the downstream goods being manufactured. This will **eliminate double counting** of the same emissions and simplify CBAM reporting.
6. **Extended deadlines for CBAM Declarations:** Under the current deadlines, the CBAM declarants shall be required to submit their CBAM declaration and surrender CBAM certificates for 2026 emissions by 31

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<sup>3</sup> [Commission publishes default values for determining embedded emissions during the CBAM transitional period and updated guidance on reporting obligations - European Commission](#)



May 2027. Omnibus-I extends this date to 30 September 2027.

7. **Exclusion of certain low emissions:** Omnibus-I proposes to exclude certain iron and steel, and aluminium goods, where emissions primarily result from embedded emissions of input materials.

## What the Omnibus misses

While the simplification proposals are welcome, and there is of course, more room for improvement, there are some crucial elements that the Omnibus misses. At the heart of the CBAM quarterly reporting during the transitional phase is the underlying embedded emissions data of CBAM goods. The embedded emissions data pertain to direct and indirect emissions of the overseas manufacturer.

Direct emissions pertain to emissions that relate to the production process of a product, while indirect emissions pertain to the electricity used in such production. During the initial years of CBAM, the EU shall be collecting CBAM prices only against the direct emissions component and not the indirect emissions. This calls for the need to know in advance what the financial liability would be beginning 2026 so that the EU importers can plan their procurements from those overseas

suppliers whose products will potentially lower the financial liability of the EU importers.

As a result, there has been a race to declare the lowest possible embedded emissions, and sometimes, at all costs. To complicate things further, the CBAM regulation mandates that starting July 2024, 80% of the embedded emissions must be based on actual data and only 20% of the declared emissions can be based on notional or assumed values which the CBAM regulation terms as “default values”. The EU has already put in public domain such default values for all CBAM goods. It is no surprise that these default values are very high, leading to declaration of high embedded emissions, which means potentially high CBAM financial liabilities for EU importers.

So, then, what has the market response been? Use actual data, or at least *pretend* to use one, and get it certified by a verifier. It is to be noted that verification is not mandatory during the transitional phase and the EU has not yet published a list of accredited verifiers. But under pressure from their EU customers or in their interest to look good and protect the important EU market, overseas manufacturers are getting their embedded emissions verified. What is at stake is trust and confidence in the reporting system which has sort of got muddled. Consider the following scenarios to understand what is happening on the ground:

- i. Embedded emissions of a product include embedded emissions of the raw materials used in that product as well. Only those raw materials that are themselves CBAM goods need to be included. The overseas manufacturers must properly account for the consumption of such raw materials. The issue is, raw material consumption may not be properly recorded in the books, and thus, notional raw material consumption needs to be used. While this approach may still be acceptable to an extent, the problem arises when different consumption norms are used every quarter without valid justification.
- ii. To further complicate things, the manufacturer is unable to trace from whom they purchased the raw material which was consumed in production. Raw material inventories get mixed and are fungible, leading to loss of traceability. But CBAM reporting requires the use of actual embedded emissions values of raw material suppliers. If you cannot ascertain who the raw material supplier is, use default values then, which would lead to higher embedded emissions of your finished product.

Since July 2024, due to the legal requirement to have CBAM values based on 80% actual data, things have become complex. Manufacturers are validly worried that if they are unable to demonstrate compliance with this requirement, they will lose orders from their EU customers. Traceability of the embedded emissions to the actual source is most important and this is getting overlooked.

- iii. Even raw material suppliers may not have attempted calculations of their CBAM embedded emissions, and they are not interested in this exercise too. Their reasons could be that the EU is not their market or their exports to the EU are not much and therefore, they are not interested in such compliance burden for their Indian customers who manufacture finished products using their raw material. The only option left is to use default values for such raw material suppliers or replace this raw material supplier's default values with actual values of a different raw material supplier. The logic seems to be that as both raw material suppliers supply the same input, one raw material supplier's actual embedded emissions can be used for another one. But is this legally correct?

- iv. It thus makes sense that the adoption of tech platforms for CBAM monitoring and reporting is taking time. These platforms may connect overseas manufacturers with their EU customers and bring in more transparency. For that, the overseas manufacturers must first gain confidence that they are ready to report CBAM data transparently to their EU customers while ensuring that the confidentiality of data is maintained.
- v. This is the state of the data that is getting 'verified'. And these are just a few issues.

The EU places a lot of importance on CBAM as the key in –

- preventing carbon leakage,
- onboarding foreign manufacturers to join in climate change mitigation and reduce their emissions to access the EU market, and
- CBAM goods attracting a fair CBAM price.

The question is that for the CBAM price to be fair, it is the quality of the underlying embedded emissions data that matters and the ethics of reporting it. Otherwise, it could lead to a situation where only the EU's own domestic industry pays a fair carbon price and not the rest. This will be a failure of the CBAM project and a disservice to the planet. The

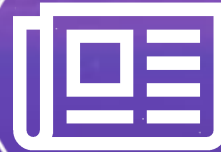
EU importers are placing a lot of trust on their overseas manufacturers and planning their potential financial exposure in advance. They could be in for a surprise when they face the final CBAM bill in 2027. Therefore, the underlying issues in CBAM reporting must be thought through and addressed before they get carried over to the definitive phase and then, it will be too late.

## The way forward

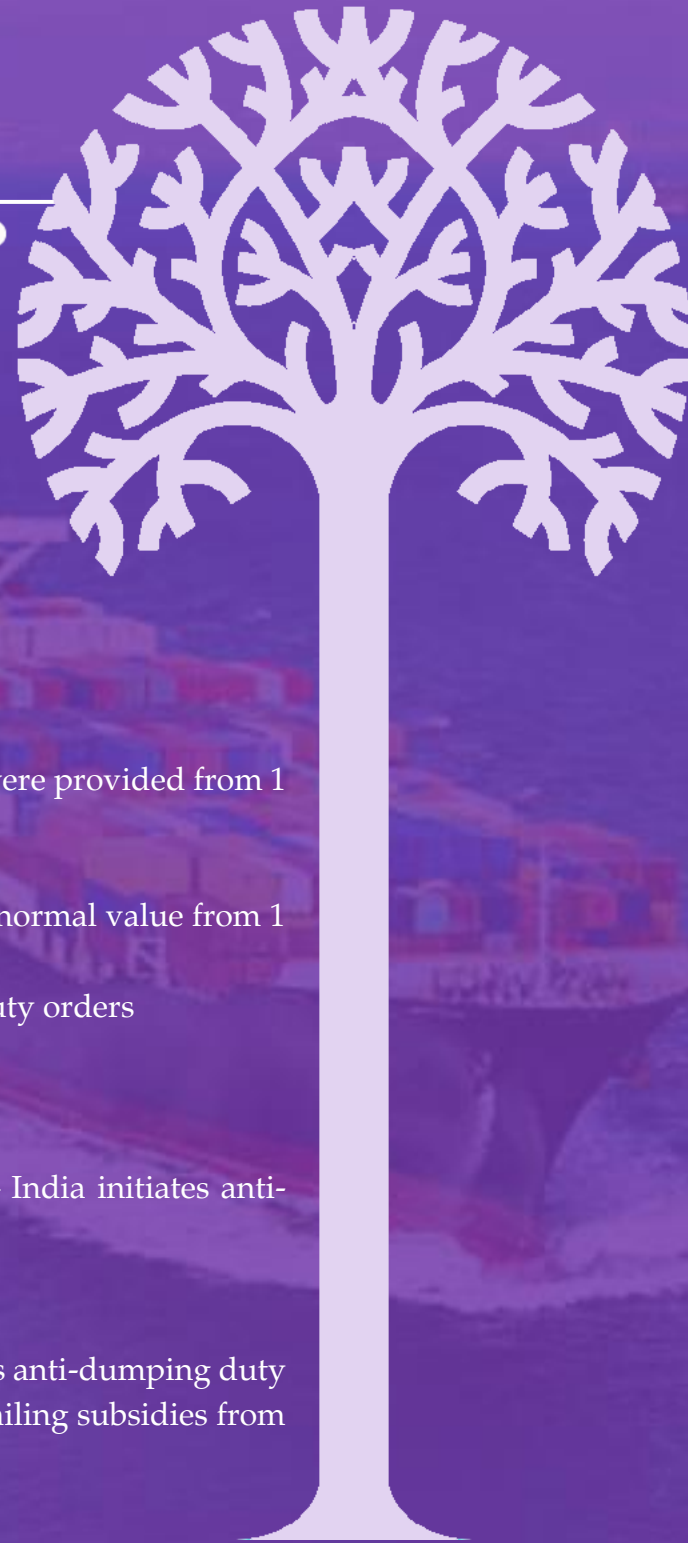
Now, the European Council and the European Parliament must endorse the provisional simplification proposal for formal adoption. This is expected to happen by September 2025. As the definitive phase of the CBAM nears, other information, including publication of revised default values, criteria for accredited verifiers etc., are also awaited. At this juncture, it is important for the EU importers and manufacturers in other countries alike to continue compliance with the CBAM in a robust and ethical manner, and work on improving their monitoring, and data collection methodologies to provide accurate embedded emission data.

**[The authors are Partner, Principal Associate and Associate, respectively, in International Trade and WTO practice at Lakshmikumaran & Sridharan Attorneys, New Delhi]**

# Trade Remedy News.

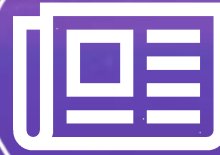


- 4- (Bromomethyl)-2'-cyanobiphenyl from China PR – India initiates anti-dumping investigation
- Acetonitrile from China PR, Russia, Taiwan – India imposes anti-dumping duty
- Aluminium foil upto 80 micron from China PR – India imposes definitive anti-dumping duty
- Carbon and alloy steel threaded rod from India – USA continues anti-dumping and countervailing duties after sunset reviews
- Ceramic tiles from India – USA issues countervailing duty order
- Décor paper from China PR – India revises anti-dumping duty after mid-term review
- Faced glass wool from China PR – India initiates sunset review of anti-dumping duty
- Faced glass wool in rolls from Egypt – India initiates anti-dumping investigation
- Finished carbon steel flanges from India – USA issues determination that countervailing subsidies were provided from 1 January 2022 till 31 December 2022
- Fluoroelastomer from China PR – India initiates sunset review of anti-dumping duty
- Frozen warmwater shrimp from India – USA issues preliminary determination of sales at less than normal value from 1 February 2023 till 31 January 2024
- High chrome cast iron grinding media from India – USA issues anti-dumping and countervailing duty orders
- Insoluble sulphur from China PR and Japan – India imposes anti-dumping duty
- Jute products from Bangladesh and Nepal – India initiates mid-term review of anti-dumping duty
- Linear Alkyl Benzene (LAB) from Iran and Qatar – India imposes anti-dumping duty
- Linear Low-Density Polyethylene from Kuwait, Malaysia, Oman, Qatar, Saudi Arabia and UAE – India initiates anti-dumping investigation
- Methyl acetoacetate from China PR – India initiates sunset review of anti-dumping duty
- Methyl acetoacetate from Switzerland – India initiates anti-dumping investigation
- Optical fibre cables from India – European Union imposes definitive countervailing duty and revises anti-dumping duty
- Organic soybean meal from India – USA issues preliminary determination of provision of countervailing subsidies from 1 January 2023 till 31 December 2023





# Trade Remedy News.



- Overhead door counterbalance torsion springs from India – USA issues preliminary affirmative determination of sales at less than fair value
- Para nitrotoluene (PNT) from EU – India initiates anti-dumping investigation
- Para-tertiary butyl phenol from China PR and Taiwan – India initiates anti-dumping investigation
- Plastic processing machines from China PR and Taiwan – India imposes anti-dumping duty
- Polyester textured yarn from India – USA continues anti-dumping and countervailing duties after sunset reviews
- Polyester textured yarn from India – USA issues determination of no sales at less than normal value from 1 January 2023 till 31 December 2023
- Potassium tertiary butoxide from China PR and USA – India imposes anti-dumping duty
- Pretilachlor in any of its form and its intermediate “2,6-diethyl-n-(2-propoxy ethyl) aniline” from China PR – India imposes anti-dumping duty
- Sodium nitrite from India – USA issues preliminary determination of countervailing subsidies from 21 June 2022 till 31 December 2023
- Sodium tertiary butoxide from China PR – India imposes anti-dumping duty
- Stainless steel flanges from India – USA issues final affirmative anti-dumping administrative review for period 1 October 2022 till 30 September 2023
- Stainless-steel seamless tubes & pipes from China PR – India initiates mid-term review of anti-dumping duty
- Textured tempered glass whether coated or uncoated from Malaysia – India initiates countervailing duty investigations
- Thermoplastic polyurethane (TPU)-based Surface/Paint Protection Film from China PR – India initiates anti-dumping investigation
- Virgin Multi-layer Paperboard from Indonesia – India initiates anti-dumping investigation
- Vitamin-A palmitate from China PR, European Union and Switzerland – India imposes anti-dumping duty





## Trade Remedy actions by India

Product	Country	Notification No.	Date of notification	Remarks
4- (Bromomethyl)-2'-cyanobiphenyl	China PR	F. No. 6/23/2025-DGTR	30 June 2025	Anti-dumping investigation initiated
Acetonitrile	China PR, Russia, Taiwan	16/2025-Cus. (ADD)	19 June 2025	Anti-dumping duty imposed
Aluminium foil upto 80 micron	China PR	15/2205-Cus. (ADD)	19 June 2025	Definitive anti-dumping duty imposed
Décor paper	China PR	19/2025-Cus. (ADD)	24 June 2025	Anti-dumping duty revised after mid-term review
Faced glass wool	China PR	F. No. 7/09/2025-DGTR	16 June 2025	Sunset review of anti-dumping duty initiated
Faced glass wool in rolls	Egypt	F. No. 6/18/2025-DGTR	16 June 2025	Anti-dumping investigation initiated
Fluoroelastomer	China PR	F. No. 07/08/2025-DGTR	16 June 2025	Sunset review of anti-dumping duty initiated
Insoluble sulphur	China PR and Japan	13/2025-Cus. (ADD)	6 June 2025	Anti-dumping duty imposed
Jute products	Bangladesh and Nepal	F. No. 7/11/2024 - DGTR	30 June 2025	Mid-term review of anti-dumping duty initiated
Linear Alkyl Benzene (LAB)	Iran and Qatar	18/2025-Cus. (ADD)	23 June 2025	Anti-dumping duty imposed
Linear Low-Density Polyethylene	Kuwait, Malaysia, Oman, Qatar, Saudi Arabia and UAE	F. No. 6/26/2025-DGTR	30 June 2025	Anti-dumping investigation initiated
Methyl acetoacetate	Switzerland	F. No. 6/22/2025-DGTR	26 June 2025	Anti-dumping investigation initiated

Product	Country	Notification No.	Date of notification	Remarks
Methyl acetoacetate	China PR	F. No. 7/12/2025-DGTR	26 June 2025	Sunset review of anti-dumping duty initiated
Para nitrotoluene (PNT)	EU	F. No. 6/24/2025-DGTR	16 June 2025	Anti-dumping investigation initiated
Para-tertiary butyl phenol	China PR and Taiwan	F. No. 6/47/2025-DGTR	26 June 2025	Anti-dumping investigation initiated
Plastic processing machines	China PR and Taiwan	21/2025-Cus. (ADD)	26 June 2025	Anti-dumping duty imposed
Potassium tertiary butoxide	China PR and USA	20/2025-Cus. (ADD)	24 June 2025	Anti-dumping duty imposed
Pretilachlor in any of its form and its intermediate "2,6-diethyl-n-(2-propoxy ethyl) aniline"	China PR	17/2025-Cus. (ADD)	19 June 2025	Anti-dumping duty imposed
Sodium tertiary butoxide	China PR	20/2025-Cus. (ADD)	24 June 2025	Anti-dumping duty imposed
Stainless-steel seamless tubes & pipes	China PR	F. No. 7/13/2025-DGTR	26 June 2025	Mid-term review of anti-dumping duty initiated
Textured tempered glass whether coated or uncoated	Malaysia	F. No. 7/10/2025-DGTR	24 June 2025	Countervailing duty investigation initiated
Thermoplastic polyurethane (TPU)-based Surface/Paint Protection Film	China PR	F. No. 6/17/2025-DGTR	16 June 2025	Anti-dumping investigation initiated
Virgin Multi-layer Paperboard	Indonesia	F. No. 6/20/2025-DGTR	30 June 2025	Anti-dumping investigation initiated
Vitamin-A palmitate	China PR, European Union and Switzerland	14/2205-Cus. (ADD)	6 June 2025	Anti-dumping duty imposed

## Trade remedy measures against India

Product	Investigating Country	Document No.	Date of Document	Remarks
Carbon and alloy steel threaded rod	USA	FR Doc No: 2025-11753	26 June 2025	Anti-dumping and Countervailing duties continued after sunset reviews
Ceramic tiles	USA	FR Doc No: 2025-11052	16 June 2025	Countervailing duty order issued
Finished carbon steel flanges	USA	FR Doc No: 2025-10792	13 June 2025	Determination of provision of countervailing subsidies from 1 January 2022 till 31 December 2022
Frozen warmwater shrimp	USA	FR Doc No: 2025-10634	11 June 2025	Preliminary determination of sales at less than normal value from 1 February 2023 till 31 January 2024
High chrome cast iron grinding media	USA	FR Doc No: 2025-11175	18 June 2025	Anti-dumping and countervailing duty orders issued
Organic soybean meal	USA	FR Doc No: 2025-11233	18 June 2025	Preliminary determination of provision of countervailing subsidies from 1 January 2023 till 31 December 2023
Optical fibre cables	EU	Commission Implementing Regulation (EU) 2025/1135	11 June 2025	Definitive countervailing duty imposed while anti-dumping duty revised
Overhead door counterbalance torsion springs	USA	FR Doc No: 2025-09945	2 June 2025	ADD – Preliminary affirmative determination of sales at less than fair value

Product	Investigating Country	Document No.	Date of Document	Remarks
Polyester textured yarn	USA	FR Doc No: 2025-10655	12 June 2025	Determination of no sales at less than normal value from 1 January 2023 till 31 December 2023
Polyester textured yarn	USA	FR Doc No: 2025-11912	27 June 2026	Anti-dumping and Countervailing duties continued after sunset reviews
Sodium nitrite	USA	FR Doc No: 2025-10637	11 June 2025	Preliminary determination of countervailing subsidies from 21 June 2022 till 31 December 2023
Stainless steel flanges	USA	FR Doc No: 2025-10229	5 June 2025	Final affirmative anti-dumping administrative review for period 1 October 2022 till 30 September 2023 issued



# WTO News

- Two DSB Panels established to resolve trade disputes between Canada and China





## Two DSB Panels established to resolve trade disputes between Canada and China

The Dispute Settlement Board of the WTO has on 23 June 2025 established two panels to resolve the trade disputes between Canada and China. While the first will deal with the Canada's surtax measures on certain goods, including EV and steel & aluminium products, from China, the second panel will deal with the Chinese additional import duties on certain agricultural and fishery products from Canada. Interestingly, as per WTO news reports, during the DSB meeting, the United States said that the second dispute involves China's response to the Canada's surtaxes, by imposing countermeasures.

While China considers the Canadian measures inconsistent with provisions of the General Agreement on Tariffs and Trade

(GATT), according to Canada, its surtax measures on electric vehicles and steel and aluminium products are justified under the GATT. India along with Australia, EU, Japan, Republic of Korea, Malaysia, Norway, Russia, Singapore, Switzerland, Türkiye, UK, Ukraine and USA have reserved their third-party rights to participate in the proceedings.

In the second dispute, Canada states that the import duties imposed by China represented a unilateral determination and trade countermeasures contrary to WTO rules. China on the other hand, according to reports, is confident that its measures will be found consistent with WTO rules.

India has reserved its third-party rights, along with many other countries, to participate in the proceedings of both these disputes.

# India Customs & Trade Policy Update



- Adherence of Indian Standards even for input material for steel and steel products covered under Steel and Steel Products (Quality Control) Order, 2024
- QCO exemption for imports subject to mandatory QCOs by Ministry of Textiles – EO period revised for imports under Advance Authorisation
- Colloidal precious metals, and compounds and amalgams of precious metals – Imports restricted
- Palladium, Rhodium and Iridium alloys consisting of gold more than 1% by weight – Imports restricted
- Alcoholic beverages bottled in origin and in bulk – NOC under FSS (Import) Regulations to have validity of 1 year
- Soda Ash – Minimum Import Price condition extended till 31 December 2025
- Low ash metallurgical coke – Country-wise quantitative restrictions extended till 31 December 2025
- Bangladesh – Import of certain goods of Chapter 53 allowed only through Nhava Sheva seaport

## **Adherence of Indian Standards even for input material for steel and steel products covered under Steel and Steel Products (Quality Control) Order, 2024**

At present some 151 Indian Standards, covering steel and steel products are incorporated in the Steel and Steel Products (Quality Control) Order, 2024. The Ministry of Steel has now clarified that in connection to compliance with the QCO, adherence of Indian Standard of respective input material, which are also part of the QCO, has to be ensured. Further, the Order (F.No. S-20011/15/2024-TECH, dated 13 June 2025) also encloses the mapped respective Indian Standards of input material in respect of the specified steel and steel products covered. The CBIC has issued Instruction No. 16/2025-Cus., dated 18 June 2025 for this purpose.

## **QCO exemption for imports subject to mandatory QCOs by Ministry of Textiles – EO period revised for imports under Advance Authorisation**

The Export Obligation period for import of products that are subjected to mandatory Quality Control Orders (QCOs) issued by the Ministry of Textiles, if imported by Advance Authorisation holders, has been revised. The EO period will now be governed by Para 4.40 of the Handbook of Procedures. Hitherto, the period was restricted to 180 days from the date of clearance of import

consignments in respect of QCO exemption. Para 2.03A(i)(g) of the Foreign Trade Policy has been amended by Notification No. 20/2025-26, dated 23 June 2025 for this purpose.

## **Colloidal precious metals, and compounds and amalgams of precious metals – Imports restricted**

The Ministry of Commerce has placed under 'restricted' category imports of colloidal precious metals, inorganic or organic compounds of precious metals and amalgams of precious metals falling under Heading 2843 of the ITC(HS). Notification No. 19/2025-26, dated 17 June 2025 has been issued for this purpose. CBIC has also issued Instruction No. 18/2025-Cus., dated 20 June 2025 for this.

## **Palladium, Rhodium and Iridium alloys consisting of gold more than 1% by weight – Imports restricted**

The Ministry of Commerce has restricted imports of Palladium, Rhodium and Iridium alloys consisting of gold by more than 1% by weight. The ITC (HS) codes for the now restricted imports are 7110 21 00, 7110 29 00, 7110 31 00, 7110 39 00, 7110 41 00 and 7110 49 00. Notification No. 18/2025-26, dated 18 June 2025 amends Chapter 71 of Schedule I to the ITC(HS) Classifications for this purpose. CBIC has also issued Instruction 17/2025-Cus., dated 19 June 2025 for this purpose.

## **Alcoholic beverages bottled in origin and in bulk – NOC under FSS (Import) Regulations to have validity of 1 year**

The Food Safety and Standards Authority of India has stated that NOC issued under the FSS (Import) Regulations, 2017 for imported consignments of alcoholic beverages bottled in origin & in bulk, containing more than 10 percent alcohol, which does not have an expiry date, shall have a validity of 365 days. CBIC Instruction No. 19/2025-Cus., dated 20 June 2025 which shares the FSSAI Order dated 13 June 2025, also states that visual examination may be carried out for re-validation for consignments lying in ports/customs area beyond 365 days. Visual inspection fees, however, is required to be paid for this purpose.

## **Soda Ash – Minimum Import Price condition extended till 31 December 2025**

The Ministry of Commerce & Industry has extended the Minimum Import Price condition for import of soda ash (Disodium Carbonate) till 31 December 2025. The MIP of INR 20,108/MT is applicable on soda ash falling under ITC(HS) Codes 2836 20 10, 2836 20 20 and 2836 20 90. Notification No. 23/2025-26, dated 30 June 2025, has been issued for this purpose.

## **Low ash metallurgical coke – Country-wise quantitative restrictions extended till 31 December 2025**

The Ministry of Commerce & Industry has extended the country-wise quantitative restrictions for import of low ash metallurgical coke till 31 December 2025. Accordingly, a new quarterly quantity-restrictions for imports have been provided for the months of July-September and October-December 2025. It may be noted that as per Notification No. 22/2025-26, dated 30 June 2025, these restrictions will cease automatically on 31 December 2025. In total some 14,27,166 MT of the said product will be allowed during this period from all the countries.

## **Bangladesh – Import of certain goods of Chapter 53 allowed only through Nhava Sheva seaport**

India has imposed port-restrictions for import of certain goods from Bangladesh, falling under Chapter 53 of the ITC(HS) 2022. Accordingly, import of these goods will now not be allowed from any land port on India-Bangladesh border and will be allowed only through Nhava Sheva seaport. Chapter 53 covers other vegetable textile fibres. Goods covered by the restrictions imposed by Ministry of Commerce & Industry Notification No. 21/2025-26, dated 27 June 2025 include Flax tow and waste, jute, flax yarn, etc.





# India FTA Update

- India-European Union FTA is expected soon
- India-Oman FTA – Good news expected soon
- India and Kyrgyz Republic sign Protocol and exchange Instrument of Ratification of Bilateral Investment Treaty
- India-New Zealand FTA: Govt consulting industry on duty cuts
- India-ASEAN FTA – India seeks fairer terms
- India and Canada to resume FTA talks after 21 months pause



## India-European Union FTA is expected soon

India aims to finalize the FTA with the EU by end-2025, PM Modi confirms. Talks focus on tariff cuts, services access, and trade in key sectors. With 5 of 23 chapters closed, next negotiation round begins July 7. As per news report by the *Financial Express*, as available [here](#), while the EU is pushing for India to cut tariffs on cheese and skimmed milk powder, the key ask for India from the EU is zero tariffs on labour intensive exports and greater access to the services market of the European Union. It may be noted that as per another news report by *Fibre2Fashion*, as available [here](#), the free trade agreement between India and the European Union could be sealed in a month or two. Further, as per *Economic Times* news report, as available [here](#), the EU FTA will be comprehensive and not interim.

## India-Oman FTA – Good news expected soon

The Indian Minister of Commerce and Industry has stated that he expects good news soon on the India-Oman free trade agreement (FTA). According to him, the negotiations are progressing well. As per a news report by Rediff, as available [here](#), the negotiations received a much-needed impetus after the

visit of the Indian Minister to Muscat in January this year. The FTA aims to boost bilateral trade and investments.

## India and Kyrgyz Republic sign Protocol and exchange Instrument of Ratification of Bilateral Investment Treaty

The Indian Minister for Finance and Corporate Affairs and Minister of Foreign Affairs of the Kyrgyz Republic recently signed the Protocol and exchanged Instrument of Ratification of the Bilateral Investment Treaty (BIT) between the Government of the Republic of India and the Government of the Kyrgyz Republic. As per *PIB* press release, as available [here](#), the BIT signed on 14 June 2019, in Bishkek, between the Government of the Republic of India and the Government of the Kyrgyz Republic, enters into force with effect from 5 June 2025. This new BIT replaces the earlier agreement enforced on 12 May 2000, ensuring continuity in the protection of investments between the two nations.

## India-New Zealand FTA: Govt consulting industry on duty cuts

India and New Zealand have re-energised their long-stalled negotiations for a Free Trade Agreement, marking a significant

phase in strategic economic diplomacy. The renewed push follows the conclusion of the first official round of talks in Delhi, resuming after a decade-long hiatus, with both governments signalling a readiness to fast-track the process. As per the *Hindu Business Line* news report, as available [here](#), the Indian government, cognisant of the sensitivity surrounding tariff concessions, particularly in agriculture, dairy, and horticultural produce, is actively engaging domestic stakeholders. Ongoing consultations aim to calibrate potential duty reductions in line with industry concerns.

### India-ASEAN FTA – India seeks fairer terms

On the India-ASEAN Free Trade Agreement (FTA) under review, sources have indicated that India had opened 71% of its tariff lines, while Indonesia had opened only 41%, Vietnam had opened 66.5%, and Thailand had opened 67% of its tariff lines despite India having a lower per capita income. As per news

report by CNBC 18 TV, as available [here](#), with nine rounds of renegotiation already having taken place for the ASEAN FTA review, following the bloc's commitment to renegotiate in November 2019, all offensive and defensive interests of the industry are being taken into account for FTAs with complementary economies.

### India and Canada to resume FTA talks after 21 months pause

As per Financial Express news report, available [here](#), India and Canada will resume FTA talks after 21 months, aiming to revive the Early Progress Trade Agreement (EPTA) and move towards a Comprehensive Economic Partnership Agreement (CEPA). The talks were suspended in September 2023. The news report also notes that the negotiations on a Comprehensive Economic Partnership Agreement with Canada were started in 2010 but could not make much progress.



# Ratio Decidendi

- Anti-dumping duty – Notification to continue ADD beyond initial period of 5 years can be issued after the expiry of original notification, provided sunset review is initiated before such expiry – *Madras High Court*
- ASEAN-India FTA – Article 24 of AIFTA, providing for specialized disputes resolution mechanism, is not enforceable, as has not been incorporated in domestic statute – *Bombay High Court*
- Blower, Filter, Water Valve Assembly, Control Panel, Module JCBHP and Thermostat are not classifiable as parts of air-conditioner – Note 2(a) and not Note 2(b) to Section XVI is applicable – *CESTAT New Delhi*
- FTA imports – Packing material is not the foolproof criteria to decide 'country of origin' – *CESTAT Mumbai*
- SAFTA imports – Non indication of value addition figures in Country-of-Origin certificates is not fatal – *CESTAT Kolkata*
- Target Plus scheme – Import of plastic granules by exporter of rice – Broad nexus – *CESTAT Chennai*

## Anti-dumping duty – Notification to continue ADD beyond initial period of 5 years can be issued after the expiry of original notification, provided sunset review is initiated before such expiry

Relying upon the Supreme Court decision in the case of *Kumho Petrochemicals*, the Madras High Court has held that the notification, to continue the levy of anti-dumping duty beyond the initial period, can be even issued after the expiry of the initial period of the levy, provided the sunset review has commenced before the expiry of the initial period of levy. Thus, according to the Court, only if the sunset review is not initiated before the expiry of the period prescribed in notification imposing anti-dumping duty, continuation of the levy cannot be permitted.

The High Court was also of the view that merely because there was a hiatus of 11 days between the end of the five-years period under Notification No.76/2010-Customs (ADD) dated 26 July 2010 and the extension of ADD for a further period of one year *vide* notification dated 6 August 2015, pending Final Finding of the Designated Authority in a sunset review, which was initiated on 22 July 2015, will not mean that the levy continued *vide* notification dated 6 August 2015 was without the authority of law and contrary to Article 265 of the Constitution of India.

The High Court hence upheld the Tribunal's decision that there is no requirement that a notification has to be issued by the Central Government under the first proviso to Section 9A(5) of the Customs Tariff Act, for continuation of anti-dumping duty for a period beyond five years, only during the lifetime of the earlier notification. [*PT. South Pacific Viscose v. Union of India* – TS 524 HC 2025 (MAD) CUST]

## ASEAN-India FTA – Article 24 of AIFTA, providing for specialized disputes resolution mechanism, is not enforceable, as has not been incorporated in domestic statute

In a dispute involving principles of interplay between domestic law and international law, the Bombay High Court has reiterated that the importers cannot seek the enforcement of Article 24 of ASEAN-India Free Trade Agreement, when no national statute incorporated or transformed the provisions of the said Article.

The importer-petitioner had sought enforcement of Article 24 of AIFTA before a municipal or national Court and contended that without recourse to the Specialized Disputes Resolutions Mechanism under the said Article, the Customs Authorities must not be allowed to proceed with the adjudication in the case involving alleged misrepresentation of the Regional Value



Content (RVC) of the Tin Ingots imported from Malaysia. According to the petitioners, the Customs Authorities lacked jurisdiction to proceed under the Customs Act without the treaty parties or countries first taking recourse to Article 24.

Dismissing the petitions, the Bombay High Court held that Customs Tariff (DOGPTA) between ASEAN and Republic of India Rules, 2009, to give effect to the provisions of AIFTA, provide no statutory recognition to Article 24 and no national statute incorporates or transforms the provisions of Article 24. According to the Court, the provisions of the existing Customs Act cannot be undermined, or the powers and jurisdiction of the customs authorities questioned based on a treaty provision that is not transformed or incorporated into the national law or statute. The petitioner's contention that the treaty provisions prevail over national laws, even though the treaty provisions on which they rely have not been incorporated into any national law, was thus rejected.

Similarly, the Court also rejected the contention that Section 28DA being prospective, the pre-amended provisions of the Customs Act, 1962, prevented the Customs Authorities from exercising powers under Section 28 and investigating cases of misrepresentation, suppression, or fraud. [*Purple Products Private Limited v. Union of India* – TS 538 HC 2025 (BOM) CUST]

### **Blower, Filter, Water Valve Assembly, Control Panel, Module JCBHP and Thermostat are not classifiable as parts of air-conditioner – Note 2(a) and not Note 2(b) to Section XVI is applicable**

The CESTAT New Delhi has held that Blower, Filter, Water Valve Assembly, Control Panel, Module JCBHP and Thermostat are not classifiable as parts of air conditioner under Tariff Item 8415 90 00 of the Customs Tariff Act, 1975 as claimed by the Department, but are classifiable under TI 8414 59 30, TI 8421 39 90, TI 8481 10 90, TI 8538 10 90 and TI 9032 10 10 as claimed by the assessee. Taking support from HSN Explanatory Notes to Heading 8415, the Tribunal observed that even though the goods are parts of air conditioners, they would continue to be classified under their respective headings in terms of Note 2(a) of Section XVI, as the goods are themselves goods of Chapter 84. It was noted that resorting to Note 2(b) to Section XVI is permissible only when the goods cannot be classified by the application of Note 2(a). It may be noted that the Tribunal also held that even if the goods are classified under the 'other' category of any heading of Chapter 84 or 85, they would still be classifiable under their respective heading. *The assessee was represented by*



*Lakshmikumaran & Sridharan Attorneys here. [Motherson Bergstorm HVAC Solutions v. Principal Commissioner – 2025 VIL 861 CESTAT DEL CU]*

### **FTA imports – Packing material is not the foolproof criteria to decide ‘country of origin’**

The CESTAT Mumbai has observed that the packing material or the label of the packing material, that too found in part of the consignment, cannot be a reasonable basis to decide the country of origin for the online imported goods. It was also observed in this regard that the packing of the imported goods is not the foolproof criteria to decide the origin of imported goods. The investigation wing of the Department had concluded, only on the basis of label of the packaging material, that the imported dry dates were also of ‘Pakistan origin’ and not of ‘UAE origin’. According to the Tribunal, it is factually incorrect to treat the imported goods as also originating from that country of origin of packing material. Allowing the appeal, the Tribunal also noted that various documents such as Bill of Lading indicating the port of shipment as UAE, commercial invoice and packing list were produced by the importer showing the country of origin. [*Caliber International v. Commissioner – 2025 VIL 910 CESTAT MUM CU*]

### **SAFTA imports – Non indication of value addition figures in Country-of-Origin certificates is not fatal**

The CESTAT Kolkata has rejected the argument of the Revenue department that as the value addition figures were not indicated in the impugned Certificates of Country of Origin, the same were not acceptable and the goods were not eligible for duty concession under Notification 99/2011-Cus., dated 9 November 2011. The Tribunal in this regard noted that the certificates of Country of Origin read along with the supporting invoices and the cost sheets issued by the foreign supplier, did satisfy the percentage of value addition as required in terms of the Rules of Origin. [*Neelkanth Mahadev International v. Commissioner – 2025 VIL 852 CESTAT KOL CU*]

### **Target Plus scheme – Import of plastic granules by exporter of rice – Broad nexus**

The CESTAT Chennai has allowed benefit of Notification No. 32/2005-Cus., issued under the Target Plus Scheme of the Ministry of Commerce, for duty-free import of plastic granules by the exporter of rice. The Tribunal in this regard noted that the plastic granules imported by the assessee were used for

manufacturing packing materials for the export of rice. Dismissing the Department's appeal, the Tribunal also noted that under the TPS, which is basically a port-export incentive, the actual user condition does not contemplate compulsory utilization of the inputs imported in the manufacture of products

to be exported in future. DGFT clarifications dated 10 September 2007 and 25 September 2007 were relied upon by the Tribunal while it also took note of CESTAT decision in *Commissioner v. Sunstar Overseas Ltd.* [*Commissioner v. Bharat Industrial Enterprises* – 2025 VIL 901 CESTAT CHE CU]

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